

10. TRANSFERS

A reconciliation of the interfund transfers is as follows:

	Transfers In	Transfers Out
General Fund	\$3,530,495	\$4,451,084
Street Repair Millage	3,914,206	344,912
Water Supply System	1,713,985	1,274,183
Sewage Disposal System	230,000	1,427,498
Solid Waste	1,415,802	1,098,527
Hydroelectric Power System		400,000
Airport		2,885
Stormwater System	108,064	1,135,215
Nonmajor governmental funds	4,339,782	4,781,719
Internal Service Funds	2,114,031	2,450,342
Total Transfers	\$17,366,365	\$17,366,365

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

11. RISK MANAGEMENT

NOTES TO FINANCIAL STATEMENTS (Continued)

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1969, the City established an Insurance Fund (an Internal Service Fund) to account for and finance its uninsured risk of loss. Under this program, the Insurance Fund currently provides coverage for up to a maximum of \$1,000,000 for each general liability claim, \$50,000 for each property damage claim, and Blue Cross Blue Shield health insurance claims. The City purchases (where coverage is available and properly priced) commercial insurance for claims in excess of coverage provided by the Fund as well as full coverage for workers' compensation claims. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the insurance program and make payments to the Insurance Fund based on estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for Incurred But Not Reported (IBNR) losses. The IBNR reserve was \$3,947,675 at June 30, 2005 and is included in Estimated Claims Payable. The total Estimated Claims Payable of \$5,644,433 is reflected in the Insurance fund at June 30, 2005. A liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claim liability amount in fiscal years 2003, 2004, and 2005 are summarized below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$5,202,689	\$4,375,811		
2004	4,048,656	5,569,474	\$(5,529,844)	\$4,048,656
2005	2,797,742	14,794,093	(6,820,388)	2,797,742
			(11,947,402)	5,644,433

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits each to defer a portion of their salary until future years. The deferred compensation is not available for distribution to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust, with the City serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. All provisions of the plan, and the trust, are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement Number 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

13. POST RETIREMENT BENEFITS

In addition to providing pension benefits, the City provides certain health care and life insurance benefits for retired employees in accordance with Ann Arbor City Code Chapter 21. Substantially all the City's employees may become eligible for these benefits if they retire directly from City employment. These and similar benefits for active employees are provided by various insurance companies. Health insurance benefits are provided by either a health maintenance organization or through an administrative service contract under which the City reimburses the administrator for claims paid plus an administration fee. Life and health insurance premiums are based on the forecasted benefits to be paid. The City records the cost of providing these benefits as expenses when paid. The costs of providing these benefits for 770 retirees for the year ending June 30, 2005 was estimated at \$6,522,226.

The City and the Retirement System Board entered into an agreement allowed under Michigan statutes, Act 28 for reimbursement of current health care premiums for retirees and the Pension System reimbursed the Insurance Fund for 2004-2005 retirees health care costs of \$2,974,644. Act 28 allows the Pension System to pay current retiree health care benefits from investment earnings on employer assets in excess of the actuarial rate of return.

This agreement between the City and Retirement System Board allows amounts designated from the Pension and Benefit tax levy and budgeted in operating service areas for payment of health and life insurance premiums to be transferred to a VEBA Trust. The Trust was established by the City to accumulate funds for the future payment of retiree health and life insurance costs. The agreement will continue for up to ten years and allows for a maximum contribution to the VEBA Trust until it is fully funded.

14. RETIREMENT COMMITMENTS

Plan Description. The City of Ann Arbor Employees' Retirement Plan is a single-employer defined benefit plan administered by the City of Ann Arbor Employees' Retirement System (CAAERS). CAAERS provides retirement, disability and death benefits to plan members and beneficiaries. Cost of living adjustments are provided to members and beneficiaries per the Ann Arbor City Code Section 1:573 of Chapter 18. Chapter 17.1 of the Ann Arbor City Charter assigns the authority to establish and amend benefit provisions to City Council. CAAERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to City of Ann Arbor Employees' Retirement System, 301 E. Liberty St., Suite 680, Ann Arbor, Michigan, 48104 or by calling 734-994-4590.

Summary of Significant Accounting Policies

Basis of Accounting. CAAERS' financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. There are no concentrations where investments are five percent or more of the net plan assets.

Funding Policy. The contribution requirements of plan members are established and may be amended by the City Council. Plan members are required to contribute 5% of annual compensation. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 2.09% of annual covered payroll. Administrative costs of CAAERS are financed through investment earnings.

14. RETIREMENT COMMITMENTS (Concluded)

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net pension obligation to CAAERS for the current year were as follows (dollar amounts in thousands):

Fiscal Year Ending June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$1,045	100.0%	-
2004	-	100.0%	-
2003	-	100.0%	-

The annual required contribution for the current year was determined as part of the June 30, 2003, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.0% rate of return (net of administrative expenses) and (b) projected salary increases of .04% to 6.3% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include postretirement benefit increases which are funded as a pay-as-you-go basis through City Council appropriation. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. There is no unfunded actuarial accrued liability to be amortized. The excess is amortized over fifteen and twenty-eight years and used as a credit against the normal cost.

15. ENDOWMENT FUNDS

In 1964, the City became the recipient of an endowment from Elizabeth Dean which is recorded as a permanent trust fund. The corpus of the trust is to remain invested and may not be liquidated in order to generate investment income. This investment income is to be used for the purchase and maintenance of trees in the City of Ann Arbor. Net appreciation on investments is not considered investment income until realized. The amount in the Elizabeth Dean fund is shown as restricted for endowment on the Statement of Net Assets.

16. SIGNIFICANT COMMITMENTS

As of June 30, 2005, the City had \$6,775,035 in construction commitments for various projects including resurfacing of streets, bridge reconstruction and other road improvements.

17. CONTINGENT LIABILITIES

Litigation. Various lawsuits are pending against the City, some of which are for substantial amounts. On the basis of opinions and information furnished by the City Attorney, it is the judgment of City management that the ultimate liability, if any, resulting from such lawsuits would not materially affect the financial position of the City.

NOTES TO FINANCIAL STATEMENTS (Continued)

17. CONTINGENT LIABILITIES (continued)

The City owns and maintains a closed landfill in full compliance with Michigan Department of Environmental Quality (MDEQ) requirements. The City had received approval for an onsite and (interim) offsite Remedial Action Plan (RAP) that has been implemented. This implementation included a slurry wall almost two miles in length enclosing most of the landfill. As part of these requirements, the City has posted a \$1,000,000 letter of credit to ensure compliance with the landfill cleanup regulations. Capital costs associated with the landfill cleanup are funded by a series of voter-approved bonds totaling \$28,000,000. Operating and maintenance costs for the closed landfill are funded out of the annual solid waste budget.

Therefore, no liability has been accrued in the Statement of Net Assets. These costs will be funded through the City's earmarked solid waste (refuse collection) property tax levy. The projects to be accomplished are subject to major changes (both in the nature of the work to be accomplished and in the cost thereof) due to inflation, changes in technology or changes in regulatory requirements.

Grants. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, primarily the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts to be immaterial.

Other. The City, along with many southeast Michigan communities, has been infected with an outbreak of Emerald Ash Borer that invades and destroys ash trees. The Emerald Ash Borer epidemic is expected to cause ash tree mortality on a widespread scale. Fifteen percent of the City's street tree population is comprised of ash trees. At this time, there is no known prevention to stop this infestation. Costs associated with removal and replanting are estimated to be \$4.1 million at this time and are included in the government-wide statements as a liability and an expense of the Park Operations and Forestry activity.

18. SUBSEQUENT EVENTS

Subsequent to year-end, the City sold two bond issues. The first issue was the 2005 Ann Arbor Building Authority Refunding Bonds in the amount of \$13,305,000 to partially defease outstanding Building Authority bonds. The second issue was the 2005 Open Space Preservation Limited Tax General Obligation Bonds in the amount of \$20,250,000.

19. RESTATEMENT OF FUND BALANCE/NET ASSETS

As of July 1, 2004, the solid waste activities moved from the General Fund to the Solid Waste Enterprise Fund. As a result, certain restatements were necessary. The following is an explanation of the adjustments to the beginning balance as of July 1, 2004, for the governmental funds fund balance, the enterprise funds net assets and the government-wide statement of net assets.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Governmental Funds</u>
Net Assets/Fund Balance at July 1, 2004	\$ 665,493,411	\$ 142,376,068	\$ 67,492,039
Fund Type Changed to Enterprise	(5,251,984)	5,251,984	(5,251,984)
Capital Assets Moved to Enterprise Fund	(7,277,320)	7,277,320	
Restated Net Assets/Fund Balance at July 1, 2004	<u>\$ 652,964,107</u>	<u>\$ 154,905,372</u>	<u>\$ 62,240,055</u>

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SPECIAL REVENUE FUND

Street Repair Millage - to account for the proceeds of a special millage to repair streets.

CITY OF ANN ARBOR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. The City uses the "Target Based" budgeting technique. Under this system, the City Administrator determines funding levels for each department by matching funding needs with available revenue. Targets are established based on anticipated revenues and growth in expenditures.
2. In late November, each department is given a "bottom line" amount for operations. The department then determines the best way to allocate funds among expenses to remain within the target while meeting the assigned goals.
3. Department budget requests are then submitted with expenditures outlined and areas of concern identified so that adjustments can be made as needed. By allowing the departments to determine how funds are spent within the department, the operating departments have a greater ownership in how they provide services.
4. The City Administrator's recommended budget is submitted to City Council at the second meeting in April. The City Council, with at least seven affirmative votes, must adopt the budget no later than the end of its second meeting in May. According to City Charter, should the City Council not adopt an amended Budget, the City Administrator's recommended budget will automatically take effect as submitted.
5. After the budget has been adopted, City Council may amend the budget by a concurring vote of not fewer than eight members of City Council.

Formal budgetary integration is employed as a management control device during the year. The City presents a comparison of annual budgets to actual results for all major governmental funds. Budgeted revenue amounts represent the original budget modified by Council-authorized adjustments during the year which were contingent upon new or additional revenue sources. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year. The amount of \$480,481 was made in fiscal 2005 for supplemental appropriations. Budgets are prepared in accordance with Generally Accepted Accounting Principles using the modified-accrual basis of accounting.

The City Administrator is authorized to transfer appropriated funds between major expenditure categories within departments. However, any revisions which alter the total appropriations of any department must be approved by City Council. For budgeting purposes, the General Fund is composed of several departments. Expenditures may not legally exceed appropriations at the department level.

The City utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts and other commitments are reported as reservations of fund balances at year-end. All appropriations lapse at the end of the fiscal year, except for certain capital projects which are approved without regard to fiscal year. For any of these projects which are under construction at year-end, the appropriations are allowed to carry forward with the amount being adopted for the current budget year.

CITY OF ANN ARBOR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS

Expenditures exceeded appropriations in the following categories:

	Budget	Actual	Negative Variance
General Fund:			
Clerk/Elections	\$631,030	\$715,356	\$(84,326)
Environmental coordination services	209,796	214,010	(4,214)
Information technology services	2,089,534	2,114,955	(25,421)
Pension and social security	857,711	1,146,208	(288,497)
Police department	23,004,377	23,077,350	(72,973)
Building department	1,610,569	1,735,850	(125,281)
Parks operations & forestry	2,992,741	3,229,995	(237,254)

General Fund:

Clerk/Elections \$84,326

This deficit was primarily attributable to higher than anticipated salary costs for elections.

Environmental coordination services \$4,214

This deficit was primarily attributable to higher than anticipated salary costs.

Information technology services \$25,421

This deficit was primarily attributable to higher than anticipated severance costs.

Pension and Social Security \$288,497

Actual social security budgeted within departments was under budget. The deficit of the VEBA Trust transfer is offset by this surplus in the departmental social security accounts. This surplus is required by agreement to distribute back in full to the VEBA Trust.

Police Department \$72,973

This deficit was attributable to higher than anticipated severance costs.

CITY OF ANN ARBOR
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

2. EXPENDITURES IN EXCESS OF APPROPRIATIONS (Concluded)

Building Department	\$125,281
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This deficit was attributable to higher than anticipated personnel costs due to increased activity for building inspections.

Parks Operations & Forestry	\$237,254
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This deficit was attributable to a write-off of obsolete inventory as well as higher than anticipated salary costs and vehicle charges.

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes:				
General operations	\$24,765,472	\$24,765,472	\$24,741,949	(\$23,523)
Transportation (AATA)	8,350,725	8,350,725	8,342,766	(7,959)
Employee benefits	8,350,725	8,350,725	8,342,766	(7,959)
Interest, penalties, payments in lieu of taxes and excess of roll	2,017,714	2,017,714	2,152,647	134,933
Total taxes	43,484,636	43,484,636	43,580,128	95,492
Licenses, permits and registrations	1,136,093	1,136,093	1,536,586	400,493
Federal grants	75,000	75,000	82,595	7,595
State shared revenues and grants	11,401,818	11,401,818	11,567,921	166,103
Charges for services:				
Police department	1,511,458	1,546,458	1,600,090	53,632
Fire department	533,653	533,653	436,366	(97,287)
Ann Arbor Transportation Authority	83,130	83,130	83,507	377
Construction overhead	1,853,491	1,853,491	2,077,188	223,697
Central services	57,000	57,000	99,871	42,871
Recreation facilities	2,130,575	2,190,575	1,989,395	(201,180)
Cemetery	7,900	7,900	4,480	(3,420)
Public services			79,386	79,386
Miscellaneous	600,500	600,500	599,724	(776)
Total charges for services	6,837,707	6,872,707	6,970,007	97,300

(Continued)

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues (Concluded):				
Fines and forfeits:				
Standing violations	\$2,975,624	\$2,975,624	\$2,800,348	(\$175,276)
District court	2,648,400	2,648,400	2,744,663	96,263
Total fines and forfeits	5,624,024	5,624,024	5,545,011	(79,013)
Investment income	269,000	269,000	573,943	304,943
Rentals	14,625	24,625	27,482	2,857
Miscellaneous revenue:				
Sale of property and equipment	750	750	12,759	12,009
Other	342,646	365,479	174,819	(190,660)
Total miscellaneous revenue	343,396	366,229	187,578	(178,651)
Total Revenues	69,186,299	69,254,132	70,071,251	817,119
Expenditures:				
General government:				
Mayor and Council	317,469	317,469	276,448	41,021
Administration	581,429	581,429	452,527	128,902
Human resources	1,191,242	1,191,242	1,128,690	62,552
Administrative services	948,700	948,700	897,632	51,068
Attorney	1,583,595	1,583,595	1,558,402	25,193
Clerk/Elections	631,030	631,030	715,356	(84,326)
Finance	2,573,160	2,573,160	2,558,966	14,194
Environmental Coordinaton Services	219,796	209,796	214,010	(4,214)
Public services	4,385,404	4,385,404	4,370,805	14,599
Planning	469,830	469,830	411,954	57,876
Information technology services	2,089,534	2,089,534	2,114,955	(25,421)
Pension and social security	857,711	857,711	1,146,208	(288,497)
Insurance				
Contingencies	2,748,560	132,803		132,803
Miscellaneous	535,325	535,325	352,959	182,366
Municipal service charge	(4,103,412)	(4,103,412)	(4,103,412)	
Total general government expenditures	15,029,373	12,403,616	12,095,500	308,116

(Continued)

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Expenditures (Concluded):				
Public safety and justice:				
Police department	\$21,129,937	\$23,004,377	\$23,077,350	(\$72,973)
Fire department	9,544,049	11,480,518	11,107,162	373,356
District court	3,491,798	3,491,798	3,315,382	176,416
Building department	2,251,078	1,610,569	1,735,850	(125,281)
Total public safety and justice expenditures	36,416,862	39,587,262	39,235,744	351,518
Social services:				
Transfers to other agencies	1,601,906	1,701,379	1,644,856	56,523
Other	134,355	159,355	143,644	15,711
Total social services expenditures	1,736,261	1,860,734	1,788,500	72,234
Culture and recreation:				
Parks and recreation	3,280,211	3,282,371	3,216,877	65,494
Parks operation & forestry	2,992,741	2,992,741	3,229,995	(237,254)
Historic district commission	57,372	55,721	38,149	17,572
Total culture and recreation expenditures	6,330,324	6,330,833	6,485,021	(154,188)
Other:				
Public transportation	8,350,725	8,350,725	8,349,044	1,681
Total other expenditures	8,350,725	8,350,725	8,349,044	1,681
Total Expenditures	67,863,545	68,533,170	67,953,809	579,361
Excess of Revenues over Expenditures	1,322,754	720,962	2,117,442	1,396,480
Other Financing Sources (Uses):				
Transfers in	3,656,392	3,656,392	3,530,495	(125,897)
Transfers out	(4,834,252)	(4,712,941)	(4,451,084)	261,857
Total Other Financing Sources (Uses)	(1,177,860)	(1,056,549)	(920,589)	135,960
Net change in fund balances	144,894	(335,587)	1,196,853	1,532,440
Fund Balance - July 1, 2004	38,355	518,836	9,463,514	8,944,678
Fund Balance - June 30, 2005	\$183,249	\$183,249	\$10,660,367	\$10,477,118

CITY OF ANN ARBOR
BUDGETARY COMPARISON SCHEDULE
STREET REPAIR MILLAGE FUND
For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (negative)
Revenues:				
Taxes	\$7,850,466	\$7,850,466	\$7,842,949	(\$7,517)
State shared revenues and grants			99,922	99,922
Charges for services			388,399	388,399
Investment income	450,000	450,000	363,785	(86,215)
Miscellaneous			515	515
Total Revenues	8,300,466	8,300,466	8,695,570	395,104
Expenditures:				
Current:				
Street repair and maintenance	8,224,150	14,329,934	10,676,216	3,653,718
Total Expenditures	8,224,150	14,329,934	10,676,216	3,653,718
Excess of Revenues over (under) Expenditures	76,316	(6,029,468)	(1,980,646)	4,048,822
Other Financing Sources (Uses):				
Transfers in		2,766,800	3,914,206	1,147,406
Transfers out		(344,912)	(344,912)	
Total Other Financing Sources (Uses)		2,421,888	3,569,294	1,147,406
Net change in fund balances	76,316	(3,607,580)	1,588,648	5,196,228
Fund Balances - July 1, 2004		3,607,580	12,827,015	9,219,435
Fund Balances - June 30, 2005	\$76,316		\$14,415,663	\$14,415,663

CITY OF ANN ARBOR
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL [UAAL (OAAL)] (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) as a Percentage of Covered Payroll [(b-a)/c]
6/30/2005	\$398,690	\$384,369	(\$14,321)	103.7%	\$47,225	-30.3%
6/30/2004	409,324	370,409	(38,915)	110.5%	47,109	-82.6%
6/30/2003	417,623	353,620	(64,003)	118.1%	46,213	-138.5%
6/30/2002	426,440	336,340	(90,100)	126.8%	46,744	-192.8%
6/30/2001	425,538	304,349	(121,189)	139.8%	47,449	-255.4%
6/30/2000	407,468	258,286	(149,182)	157.8%	44,092	-338.3%

CITY OF ANN ARBOR
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

(amounts expressed in thousands)

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contribution</u>
2005	\$1,045	100%
2004	0	100%
2003	0	100%
2002	0	100%
2001	0	100%
2000	1,316	100%

NONMAJOR SPECIAL REVENUE FUNDS

Major Streets - to account for repairs, maintenance and construction on the City's major streets. The revenues consist primarily of State-shared gasoline and weight tax collections.

Local Streets - to account for repairs, maintenance and construction on the City's local streets. The revenues consist primarily of State-shared gasoline and weight tax collections.

Community Development - to account for funds received from the federal government for the City's Community Development Block grant program.

HOME Program- to account for funds received from the federal government for the City's Community Development HOME grant program.

Leslie Homestead - to account for the proceeds from an estate used to maintain the Leslie Homestead which consists of a historic home and laboratories.

Affordable Housing - to account for funding of selected affordable housing projects with the General Fund and federal funds.

Community Television Network - to account for the costs of running the City's community access channels on the local cable television system. Revenues are derived primarily from franchise fees.

Homeland Security - to account for federal Office of Homeland Security grant money.

Construction Code - to account for the costs of planning and development activities related to construction. Revenues are derived primarily from licenses and permits.

Alternative Transportation- to account for funding set aside for the City's alternative transportation program.

Drug Enforcement - to account for confiscated property and money related to drug law enforcement activity and provide funds for future enforcement activity.

Michigan Justice Training - to account for State funds used for law enforcement training.

Parks Maintenance and Repair Millage - to account for funds derived from property tax millage earmarked for parks maintenance.

Parks Repair and Restoration Millage - to account for funds derived from property tax millage earmarked for parks' repair and restoration.

Parks Rehabilitation and Development Millage - to account for funds derived from property tax millage earmarked for parks' improvements.

Open Space and Parkland Preservation Millage - to account for funds derived from property tax millage earmarked for parks acquisition.

NONMAJOR SPECIAL REVENUE FUNDS (continued)

Special Assistance - to account for funds provided by a utility bill checkoff to provide assistance to needy citizens.

Special Projects - to account for various Information Services projects.

Court Facilities - to account for a court fee to pay for facility improvements for the district court.

Local Law Enforcement Block Grant- to account for federal grant monies received for fingerprinting equipment.

Major Grants - to account for various grant monies other than community development.

Federal Equitable Sharing Forfeitures- to account for monies received as a result of joint operations with federal law enforcement. These monies are restricted for use in future law enforcement activities.

Bandemer - to account for rental income used to maintain and operate Bandemer Park.

Cemetery Perpetual Care - to account for the receipt and expenditures of fees paid for the perpetual care of gravesites at the City-owned Fairview Cemetery.

Energy Projects - to account for funding of City Energy Consumption Improvement projects.

Police and Fire Relief - to account for the receipt of investment earnings on previously transferred General fund monies. These earnings are used to subsidize the incomes of certain beneficiaries of deceased police officers and firefighters.

Michigan Economic Development Smart Zone Grant- to account for the monies passed through to establish a Smart Zone in the City limits.

NONMAJOR DEBT SERVICE FUNDS

General Debt Service - to accumulate tax revenues and transfers in for payment of principal and interest on non-bonded debt and general obligation bonds sold for various capital purposes.

Special Assessment Bonds-Debt Service - to accumulate revenues for payment of principal and interest on general obligation bonds sold to finance various special assessment projects. The primary sources of revenues are special assessments and related revenues (including interest and penalties).

NONMAJOR CAPITAL PROJECTS FUNDS

1991/1992/1993 Environmental Bonds - to account for bond proceeds and related revenues expended for improvements to the City's landfill.

General Capital Improvements - to account for capital project expenditures for various non-bonded improvements to certain City-owned facilities.

Maintenance Facility Construction - to account for revenues expended for the construction of a new vehicle maintenance facility.

Special Assessments - to account for bond proceeds and related revenues expended for various public improvements financed in part by assessments against benefited properties.

2003 Michigan Transportation - to account for the related expenditures for the replacement of the existing two Broadway Bridges.

NONMAJOR PERMANENT FUND

Elizabeth R. Dean Trust Fund - to account for monies provided by a private bequest to finance tree planting and maintenance. The principal amount of the bequest is to remain intact and invested. Investment earnings are used for the above stated purposes.

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	Special Revenue														
	Major Streets	Local Streets	Community Development	Home Program	Leslie Homestead	Affordable Housing	Community Television Network	Homeland Security Fund	Construction Code	Alternative Transportation	Drug Enforcement	Michigan Justice Training	Parks Maintenance & Repair Millage	Parks Repair & Restoration Millage	Parks Rehab & Development Millage
ASSETS															
Cash	\$108,024	\$19,503	\$381,110	\$284,132			\$26,270		\$28,270				\$43,438		\$18,574
Equity in pooled cash and investments	7,381,539	1,847,431				581,433	1,727,535	672	1,130,889	392,206	9,283	79,063	22,965	842,787	2,905,735
Investments, at fair value															
Receivables															
Taxes															
Accounts	81,072		88	315,150			340,515	18,230	26,656				2,751	6,879	9,497
Special assessments															
Accrued interest and dividends															
Improvement charges															
Loans			141,318	797,469											
Unbilled district costs															
Less: Allowance for uncollectibles	(31,444)								(6,078)				(2,741)	(6,725)	(9,337)
Due from other funds	5,773	5	13,784	5,299			137	265	20,050	154			18	1,553	678
Due from component units															
Due from other governments	919,852	262,333	235,885	50,094											
Prepaid items															
Total Assets	\$8,464,816	\$2,129,272	\$772,185	\$1,452,144		\$581,433	\$2,094,457	\$19,167	\$1,199,787	\$392,360	\$9,283	\$79,063	\$66,431	\$844,494	\$2,925,147
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts payable	\$152,232	\$8,607	\$11,317	\$31,278			\$55,339	\$4,078				\$20	\$1,914	\$80,107	\$140,410
Accrued liabilities	102,070	17,916	8,054	2,795			68,901	1,330	42,017	749				32,276	7,405
Due to other funds	96,697	55,193	607,813	304,455			951	13,462	2,937	703		1,375		29,831	17,277
Due to other governments				315,150											
Deposits	10,000						10,000								
Deferred revenue			141,318	797,469				297			4,189				
Accrued compensated absences	46,350	212	3,683	997			6,599							21,968	3,008
Total Liabilities	407,349	81,928	772,185	1,452,144			141,790	19,167	44,954	1,452	4,189	1,395	1,914	164,182	168,100
Fund Balances:															
Reserved for encumbrances	10,472	13,248								5,583					
Reserved for prepaid items/deferred charges														14,750	530,801
Reserved for endowment															
Unreserved balances:															
Undesignated, nonmajor debt service funds															
Undesignated, nonmajor capital projects funds															
Undesignated, nonmajor special revenue funds	8,046,995	2,034,096				581,433	1,952,667		1,154,833	385,325	5,094	77,668	64,517	665,562	2,226,246
Total Fund Balances	8,057,467	2,047,344				581,433	1,952,667		1,154,833	390,908	5,094	77,668	64,517	680,312	2,757,047
Total Liabilities and Fund Balances	\$8,464,816	\$2,129,272	\$772,185	\$1,452,144		\$581,433	\$2,094,457	\$19,167	\$1,199,787	\$392,360	\$9,283	\$79,063	\$66,431	\$844,494	\$2,925,147

(continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(continued)

	Special Revenue											
	Open Space & Parkland Preservation	Special Assistance	Special Projects	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Cemetery Perpetual Care	Energy Projects	Police and Fire Relief	Michigan Economic Development Smart Zone Grant
ASSETS												
Cash	\$453	\$210	\$9,250	\$5,756	\$12,462	\$15,283						
Equity in pooled cash and investments	4,849,887	4,006	1,076,997	948,113	560		39,855	272,335	52,870	478,522	547,876	16,032
Investments, at fair value											102,386	
Receivables:												
Taxes	10,052											
Accounts												
Special assessments					8,157	209,295		500				
Accrued interest and dividends												
Improvement charges												
Loans												
Unbilled district costs												
Less: Allowance for uncollectibles	(9,882)											
Due from other funds	718					(3,375)						
Due from component units						34,661						
Due from other governments	659,337											
Prepaid items				1,486								
Total Assets	\$5,510,565	\$4,216	\$1,086,247	\$955,355	\$21,179	\$255,864	\$39,855	\$272,835	\$52,870	\$478,522	\$650,262	\$16,032
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	\$38,796		\$63,585		\$20,879	\$364		\$4,273				
Accrued liabilities	573					5,422						
Due to other funds	1,569					85,498						
Due to other governments			1,335									
Deposits												
Deferred revenue					300	157,652						
Accrued compensated absences												
Total Liabilities	40,938		64,920		21,179	248,936		4,273				
Fund Balances:												
Reserved for encumbrances	306,278		73,924	24,742								
Reserved for prepaid items/deferred charges				1,486								
Reserved for endowment												
Unreserved balances:												
Undesignated, nonmajor debt service funds												
Undesignated, nonmajor capital projects funds												
Undesignated, nonmajor special revenue funds	5,163,349	4,216	947,403	929,127		6,928	39,855	268,562	52,870	478,522	650,262	16,032
Total Fund Balances	5,469,627	4,216	1,021,327	955,355		6,928	39,855	268,562	52,870	478,522	650,262	16,032
Total Liabilities and Fund Balances	\$5,510,565	\$4,216	\$1,086,247	\$955,355	\$21,179	\$255,864	\$39,855	\$272,835	\$52,870	\$478,522	\$650,262	\$16,032

(continued)

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005
(concluded)

	Debt Service		Capital Projects					Permanent	
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Maintenance Facility Construction	Special Assessments	2003 Michigan Transportation Bonds	Elizabeth R. Dean Trust	Total
ASSETS									
Cash		\$16,857		\$2,643		\$75,990			
Equity in pooled cash and investments	95,599	204,973	3,653,491	424,531	7,038,293			\$4,595	\$1,052,820
Investments, at fair value		1,312,502						18,141	36,643,619
Receivables:								2,070,469	3,485,357
Taxes	14,050								
Accounts									43,229
Special assessments		1,789,078		21,742					1,021,405
Accrued interest and dividends									1,789,078
Improvement charges		5,166						23,983	23,983
Loans									5,166
Unbilled district costs		342,028							938,787
Less: Allowance for uncollectibles	(13,824)			1,704					343,732
Due from other funds	947								(83,406)
Due from component units	6,910			102	476				84,620
Due from other governments									6,910
Prepaid items									2,127,501
Total Assets	\$103,682	\$3,670,604	\$3,653,491	\$450,722	\$7,038,769	\$75,990		\$2,117,188	\$47,484,287
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable		\$2,043	\$20,436	\$25,436	\$301,599				\$962,713
Accrued liabilities			117		484				291,085
Due to other funds	3,570	41,134	24,198	4,125	1,997	38,967		976	1,333,087
Due to other governments									315,150
Deposits									24,189
Deferred revenue		2,105,867							3,202,903
Accrued compensated absences					1,981	159		1,488	86,445
Total Liabilities	3,570	2,149,044	44,751	29,561	306,061	39,126		2,464	6,215,572
Fund Balances:									
Reserved for encumbrances									979,798
Reserved for prepaid items/deferred charges									1,486
Reserved for endowment									
Unreserved balances:								2,114,724	2,114,724
Undesignated, nonmajor debt service funds	100,112	1,521,560							
Undesignated, nonmajor capital projects funds			3,608,740	421,161	6,732,708	36,864			1,621,672
Undesignated, nonmajor special revenue funds									10,799,473
Total Fund Balances	100,112	1,521,560	3,608,740	421,161	6,732,708	36,864		2,114,724	41,268,715
Total Liabilities and Fund Balances	\$103,682	\$3,670,604	\$3,653,491	\$450,722	\$7,038,769	\$75,990		\$2,117,188	\$47,484,287

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005

	Special Revenue Funds													
	Major Streets	Local Streets	Community Development	Home Program	Leslie Homestead	Affordable Housing	Community Television Network	Homeland Security Grant	Construction Code	Alternative Transportation	Drug Enforcement	Michigan Justice Training	Parks Maintenance & Repair Millage	Parks Repair & Restoration Millage
Revenues:														
Taxes														
Special assessments/improvement charges														
Licenses, permits and registration														\$1,868,241
Federal grants			1,250,663	2,035,866					2,178,826					
State shared revenues and grants	5,886,810	1,621,716						149,350						
Charges for services	541,362	156,136					1,287,582					53,234		
Fines and forfeits														
Interest and penalties											7,768			
Investment income	150,947	36,402				13,349	48,879		4,357		250	1,754	1,043	28,987
Rentals						115,074				10,000				
Contributions and donations							137							
Sale of property and equipment														
Intra-governmental sales	57,020													1,339
Miscellaneous	50,702													
			50,345	4,866			1,347							
Total Revenues	6,686,841	1,814,254	1,301,008	2,040,732		128,423	1,337,945	149,350	2,183,183	10,000	8,018	54,988	1,043	1,898,567
Expenditures:														
Current:														
Administration	956,713		399,442	97,166										
Police										78,765				
Street repair and maintenance	4,043,556	1,318,039						110,307			9,255	29,735		
Parks and recreation														
Planning and development													1,250	1,571,892
Community access television							1,058,726		1,678,350					
Urban redevelopment and housing														
Information services			906,677	1,945,816		140,530								
Capital outlay	3,785													
Debt Service:							112,934	39,043						
Principal retirement														4,876
Interest and fiscal charges														
Total Expenditures	5,004,054	1,318,039	1,306,119	2,042,982		140,530	1,171,660	149,350	1,678,350	78,765	9,255	29,735	1,250	1,576,768
Excess of Revenues over (under) Expenditures	1,682,787	496,215	(5,111)	(2,250)		(12,107)	166,285		504,833	(68,765)	(1,237)	25,253	(207)	321,799
Other Financing Sources (Uses):														
Transfers in	27,200					100,000								
Transfers out	(786,994)	(124,433)			(1,503)	(68,075)	(60,000)		650,000	364,721				(18,200)
Total Other Financing Sources (Uses)	(759,794)	(124,433)			(1,503)	31,925	(60,000)		650,000	364,721				(18,200)
Net change in fund balances	922,993	371,782	(5,111)	(2,250)	(1,503)	19,818	106,285		1,154,833	295,956	(1,237)	25,253	(207)	303,599
Fund Balances - July 1, 2004	7,134,474	1,675,562	5,111	2,250	1,503	561,615	1,846,382			94,952	6,331	52,415	64,724	376,713
Fund Balances - June 30, 2005	\$8,057,467	\$2,047,344				\$581,433	\$1,952,667		\$1,154,833	\$390,908	\$5,094	\$77,668	\$64,517	\$680,312

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005
(continued)

	Special Revenue Funds												
	Parks Rehab & Development Millage	Open Space & Parkland Preservation	Special Assistance	Special Projects	Court Facilities	Local Law Enforcement Block Grant	Major Grants	Federal Equitable Sharing Forfeiture	Bandemer	Cemetery Perpetual Care	Energy Projects	Police and Fire Relief	Michigan Economic Development Smart Zone Grant
Revenues:													
Taxes	\$1,832,398	\$1,939,530											
Special assessments/improvement charges													
Licenses, permits and registration													
Federal grants													
State shared revenues and grants	67,740	659,337				84,282	239,941						
Charges for services							13,964						
Fines and forfeits													
Interest and penalties					234,433								
Investment income													
Rentals	74,898	116,040	51	6,182	17,593	383		2,609	5,228	1,273	8,874	13,188	3,486
Contributions and donations	52,211	50,000	4,245						31,000				
Sale of property and equipment							676						
Intra-governmental sales													
Miscellaneous	31,177									4,135			
Total Revenues	2,058,424	2,764,907	4,296	6,182	252,026	84,665	254,581	2,609	36,228	5,408	8,874	13,188	3,486
Expenditures:													
Current:													
Administration													
Police					57,368		63,335				5,184		
Street repair and maintenance						48,690	159,924	16,964					
Parks and recreation	1,771,462	1,555,566							9,232				
Planning and development													
Community access television													
Urban redevelopment and housing			608										
Information services				430,282									
Capital outlay	96,677			148,348									
Debt Service:						35,975	97,175	88,998					
Principal retirement													
Interest and fiscal charges													
Total Expenditures	1,868,139	1,555,566	608	578,630	57,368	84,665	320,434	105,962	9,232		5,184		
Excess of Revenues over (under) Expenditures	190,285	1,209,341	3,688	(572,448)	194,658		(65,853)	(103,353)	26,996	5,408	3,690	13,188	3,486
Other Financing Sources (Uses):													
Transfers in													
Transfers out				950,000			64,139						
Total Other Financing Sources (Uses)				950,000			64,139						
Net change in fund balances	190,285	1,209,341	3,688	377,552	194,658		(1,714)	(103,353)	26,996	5,408	149,949	13,188	15,685
Fund Balances - July 1, 2004	2,566,762	4,260,286	528	643,775	760,697		8,642	143,208	241,566	47,462	328,573	637,074	347
Fund Balances - June 30, 2005	\$2,757,047	\$5,469,627	\$4,216	\$1,021,327	\$955,355		\$6,928	\$39,855	\$268,562	\$52,870	\$478,522	\$650,262	\$16,032

CITY OF ANN ARBOR
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2005
(concluded)

	Debt Service		Capital Projects					Permanent	
	General Debt Service	Special Assessment Bonds - Debt Service	1991/1992/1993 Environmental Bonds	General Capital Improvements	Maintenance Facility Construction	Special Assessments	2003 Michigan Transportation Bonds	Elizabeth R. Dean Trust	Total
Revenues:									
Taxes	\$2,389,564								\$8,029,733
Special assessments/improvement charges		130,872							130,872
Licenses, permits and registration									2,178,826
Federal grants									3,760,102
State shared revenues and grants				106,841					8,409,642
Charges for services									1,985,080
Fines and forfeits									242,201
Interest and penalties		50,227							50,227
Investment income	8,268	26,686	92,196	30,374	150,088	126	3,946	44,830	892,287
Rentals									31,000
Contributions and donations									232,206
Sale of property and equipment									5,611
Intra-governmental sales									57,020
Miscellaneous	(3,079)	50,766			6,000				192,124
Total Revenues	2,394,753	258,551	92,196	137,215	156,088	126	3,946	44,830	26,196,931
Expenditures:									
Current:									
Administration	4,343								1,662,316
Police									374,875
Street repair and maintenance									5,361,595
Parks and recreation								40,688	4,950,090
Planning and development									1,678,350
Community access television									1,058,726
Urban redevelopment and housing									2,993,631
Information services									430,282
Capital outlay			11,292	854,826	1,006,718	(62,520)			2,438,127
Debt Service:									
Principal retirement	2,116,100	400,000							2,516,100
Interest and fiscal charges	876,745	94,968							971,713
Total Expenditures	2,997,188	494,968	11,292	854,826	1,006,718	(62,520)		40,688	24,435,805
Excess of Revenues over (under) Expenditures	(602,435)	(236,417)	80,904	(717,611)	(850,630)	62,646	3,946	4,142	1,761,126
Other Financing Sources (Uses):									
Transfers in	632,271		820,725	25,000	533,442	3,826			4,339,782
Transfers out			(1,333,802)	(533,442)		(108,064)	(1,737,206)		(4,781,719)
Total Other Financing Sources (Uses)	632,271		(513,077)	(508,442)	533,442	(104,238)	(1,737,206)		(441,937)
Net change in fund balances	29,836	(236,417)	(432,173)	(1,226,053)	(317,188)	(41,592)	(1,733,260)	4,142	1,319,189
Fund Balances - July 1, 2004	70,276	1,757,977	4,040,913	1,647,214	7,049,896	78,456	1,733,260	2,110,582	39,949,526
Fund Balances - June 30, 2005	\$100,112	\$1,521,560	\$3,608,740	\$421,161	\$6,732,708	\$36,864		\$2,114,724	\$41,268,715

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2005

	Major Streets			Local Streets			Community Development		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Federal grants	\$ 200		(\$200)	\$ -	\$ -		\$ -	\$ -	
State shared revenues and grants									
Licenses, permits and registration	5,819,008	5,886,810	67,802	1,620,910	1,621,716	806	2,217,311	1,250,663	(966,648)
Charges for services	522,000	541,362	19,362	150,000	156,136	6,136			
Fines and forfeits									
Investment income	160,000	150,947	(9,053)	49,000	36,402	(12,598)			
Rentals									
Contributions and donations									
Sale of property and equipment	6,000	57,020	51,020						
Intra-governmental sales	24,500	50,702	26,202						
Miscellaneous									
Total Revenues	6,531,708	6,686,841	155,133	1,819,910	1,814,254	(5,656)	5,000	50,345	45,345
Expenditures:									
Current:									
Administration							2,222,311	1,301,008	(921,303)
Police									
Street repair and maintenance	1,502,523	956,713	545,810						
Planning and development									
Parks and recreation	4,373,625	4,043,556	330,069	1,672,754	1,318,039	354,715	699,150	399,442	299,708
Solid waste									
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay									
Total Expenditures	3,785	(3,785)					1,520,161	906,677	613,484
Excess of Revenues over (under) Expenditures	5,876,148	5,004,054	872,094	1,672,754	1,318,039	354,715	2,219,311	1,306,119	913,192
Other Financing Sources (Uses):									
Transfers in	655,560	1,682,787	1,027,227	147,156	496,215	349,059	3,000	(5,111)	(8,111)
Transfers out	27,200	27,200							
Total Other Financing Sources (Uses)	(787,245)	(786,994)	251	(124,433)	(124,433)		(3,000)		(3,000)
Net changes in fund balances	(104,485)	922,993	1,027,478	(124,433)	(124,433)		(3,000)		(3,000)
Fund Balances - July 1, 2004	104,485	7,134,474	7,029,989	22,723	371,782	349,059		(5,111)	(5,111)
Fund Balances - June 30, 2005	\$8,057,467	\$8,057,467		\$22,723	\$2,047,344	\$2,024,621	5,111	5,111	

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2005

	Home Program			Affordable Housing			Community Television Network		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes									
Federal grants									
State shared revenues and grants									
Licenses, permits and registration									
Charges for services									
Fines and forfeits									
Investment income							1,209,600	1,287,582	77,982
Rentals				5,000	13,349	8,349	45,000	48,879	3,879
Contributions and donations									
Sale of property and equipment				8,900	115,074	106,174			
Intra-governmental sales									
Miscellaneous								137	137
		4,866	4,866					1,347	1,347
Total Revenues	3,914,794	2,040,732	(1,874,062)	13,900	128,423	114,523	1,254,600	1,337,945	83,345
Expenditures:									
Current:									
Administration									
Police	134,425	97,166	37,259						
Street repair and maintenance									
Planning and development									
Parks and recreation									
Solid waste									
Community access television									
Urban redevelopment and housing									
Information Services	3,779,869	1,945,816	1,834,053	559,769	140,530	419,239	1,149,917	1,058,726	91,191
Capital outlay	500		500						
Total Expenditures	3,914,794	2,042,982	1,871,812	559,769	140,530	419,239	214,825	112,934	101,891
Excess of Revenues over (under) Expenditures		(2,250)	(2,250)	(545,869)	(12,107)	533,762	1,364,742	1,171,660	193,082
Other Financing Sources (Uses):							(110,142)	166,285	276,427
Transfers in									
Transfers out				100,000	100,000				
				(68,075)	(68,075)		(69,100)	(60,000)	9,100
Total Other Financing Sources (Uses)				31,925	31,925				9,100
Net changes in fund balances		(2,250)	(2,250)	(513,944)	19,818	533,762	(69,100)	(60,000)	9,100
Fund Balances - July 1, 2004		2,250	2,250	513,944	561,615	47,671	(179,242)	106,285	285,527
Fund Balances - June 30, 2005							179,242	1,846,382	1,667,140
				\$581,433	\$581,433		\$1,952,667	\$1,952,667	

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2005

	Drug Enforcement			Michigan Justice Training			Parks Repair & Restoration Millage		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,870,328	\$ 1,868,241	\$ (2,087)
Federal grants									
State shared revenues and grants				30,000	53,234	23,234			
Licenses, permits and registration									
Charges for services									
Fines and forfeits	7,000	7,768	768				3,700		(3,700)
Investment income		250	250	2,000	1,754	(246)		28,987	28,987
Rentals									
Contributions and donations								1,339	1,339
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	7,000	8,018	1,018	32,000	54,988	22,988	1,874,028	1,898,567	24,539
Expenditures:									
Current:									
Administration									
Police	12,000	9,255	2,745	47,000	29,735	17,265			
Street repair and maintenance									
Planning and development									
Parks and recreation									
Solid waste							1,820,790	1,571,892	248,898
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay									
Total Expenditures	12,000	9,255	2,745	47,000	29,735	17,265	1,830,790	1,576,768	254,022
Excess of Revenues over (under) Expenditures	(5,000)	(1,237)	3,763	(15,000)	25,253	40,253	43,238	321,799	278,561
Other Financing Sources (Uses):									
Transfers in									
Transfers out							(2,000)	(18,200)	(16,200)
Total Other Financing Sources (Uses)							(2,000)	(18,200)	(16,200)
Net changes in fund balances	(5,000)	(1,237)	3,763	(15,000)	25,253	40,253	41,238	303,599	262,361
Fund Balances - July 1, 2004	5,000	6,331	1,331	15,000	52,415	37,415	376,713	376,713	376,713
Fund Balances - June 30, 2005	\$5,094	\$5,094		\$77,668	\$77,668		\$41,238	\$680,312	\$639,074

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2005

	Parks Rehab & Development Millage			Open Space & Parkland Preservation			Special Assistance		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ 1,834,284	\$ 1,832,398	\$ (1,886)	\$ 1,941,624	\$ 1,939,530	\$ (2,094)	\$ -	\$ -	\$ -
Federal grants									
State shared revenues and grants	117,970	67,740	(50,230)		659,337	659,337			
Licenses, permits and registration									
Charges for services									
Fines and forfeits									
Investment income	53,450	74,898	21,448		116,040	116,040	50	51	1
Rentals									
Contributions and donations	45,000	52,211	7,211		50,000	50,000	6,000	4,245	(1,755)
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous		31,177	31,177						
Total Revenues	2,050,704	2,058,424	7,720	1,941,624	2,764,907	823,283	6,050	4,296	(1,754)
Expenditures:									
Current:									
Administration									
Police									
Street repair and maintenance									
Planning and development									
Parks and recreation	3,825,035	1,771,462	2,053,573	5,718,160	1,555,566	4,162,594			
Solid waste									
Community access television									
Urban redevelopment and housing							6,050	608	5,442
Information Services									
Capital outlay	158,429	96,677	61,752						
Total Expenditures	3,983,464	1,868,139	2,115,325	5,718,160	1,555,566	4,162,594	6,050	608	5,442
Excess of Revenues over (under) Expenditures	(1,932,760)	190,285	2,123,045	(3,776,536)	1,209,341	4,985,877		3,688	3,688
Other Financing Sources (Uses):									
Transfers in									
Transfers out									
Total Other Financing Sources (Uses)									
Net changes in fund balances	(1,932,760)	190,285	2,123,045	(3,776,536)	1,209,341	4,985,877		3,688	3,688
Fund Balances - July 1, 2004	1,932,760	2,566,762	634,002	3,785,313	4,260,286	474,973		528	528
Fund Balances - June 30, 2005		\$2,757,047	\$2,757,047	\$8,777	\$5,469,627	\$5,460,850		\$4,216	\$4,216

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2005

	Special Projects			Court Facilities			Local Law Enforcement Block Grant		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants									
State shared revenues and grants									
Licenses, permits and registration							26,849	84,282	57,433
Charges for services									
Fines and forfeits									
Investment income				220,000	234,433	14,433			
Rentals					17,593	17,593		383	383
Contributions and donations									
Sale of property and equipment		6,182	6,182						
Intra-governmental sales									
Miscellaneous									
Total Revenues		6,182	6,182	220,000	252,026	32,026	26,849	84,665	57,816
Expenditures:									
Current:									
Administration									
Police				119,500	57,368	62,132			
Street repair and maintenance							29,832	48,690	(18,858)
Planning and development									
Parks and recreation									
Solid waste									
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay	950,000	430,282	519,718						
		148,348	(148,348)	90,000		90,000		35,975	(35,975)
Total Expenditures	950,000	578,630	371,370	209,500	57,368	152,132	29,832	84,665	(54,833)
Excess of Revenues over (under) Expenditures	(950,000)	(572,448)	377,552	10,500	194,658	184,158	(2,983)		2,983
Other Financing Sources (Uses):									
Transfers in									
Transfers out	950,000	950,000					2,983		2,983
Total Other Financing Sources (Uses)	950,000	950,000					2,983		2,983
Net changes in fund balances		377,552	377,552	10,500	194,658	184,158			
Fund Balances - July 1, 2004		643,775	643,775		760,697	760,697			
Fund Balances - June 30, 2005		\$1,021,327	\$1,021,327	\$10,500	\$955,355	\$944,855			

CITY OF ANN ARBOR
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISONS
For the Year Ended June 30, 2005

	Major Grants			Federal Equitable Sharing Forfeiture			Bandemer		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	613,692	239,941	(373,751)						
State shared revenues and grants	104,603	13,964	(90,639)						
Licenses, permits and registration									
Charges for services									
Fines and forfeits									
Investment income				5,000		(5,000)	3,600		(3,600)
Rentals				5,000	2,609	(2,391)	4,180	5,228	1,048
Contributions and donations							30,000	31,000	1,000
Sale of property and equipment	5,117	676	(4,441)						
Intra-governmental sales									
Miscellaneous									
Total Revenues	723,412	254,581	(468,831)	10,000	2,609	(7,391)	37,780	36,228	(1,552)
Expenditures:									
Current:									
Administration	240,546	63,335	177,211						
Police	519,740	159,924	359,816	17,002	16,964	38			
Street repair and maintenance									
Planning and development									
Parks and recreation									
Solid waste							37,596	9,232	28,364
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay		97,175	(97,175)	88,998	88,998				
Total Expenditures	760,286	320,434	439,852	106,000	105,962	38	37,596	9,232	28,364
Excess of Revenues over (under) Expenditures	(36,874)	(65,853)	(28,979)	(96,000)	(103,353)	(7,353)	184	26,996	26,812
Other Financing Sources (Uses):									
Transfers in	64,139	64,139							
Transfers out									
Total Other Financing Sources (Uses)	64,139	64,139							
Net changes in fund balances	27,265	(1,714)	(28,979)	(96,000)	(103,353)	(7,353)	184	26,996	26,812
Fund Balances - July 1, 2004		8,642	8,642	96,000	143,208	47,208		241,566	241,566
Fund Balances - June 30, 2005	\$27,265	\$6,928	(\$20,337)	\$39,855	\$39,855		\$184	\$268,562	\$268,378

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2005

	Cemetery Perpetual Care			Energy Projects			Police and Fire Relief		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments/improvement charges									
Federal grants									
State shared revenues and grants									
Licenses, permits and registration									
Charges for services	3,200	4,135	935						
Fines and forfeits									
Interest and penalties									
Investment income		1,273	1,273						
Rentals				3,000	8,874	5,874	12,000	13,188	1,188
Contributions and donations				9,632		(9,632)			
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
Total Revenues	3,200	5,408	2,208	12,632	8,874	(3,758)	12,000	13,188	1,188
Expenditures:									
Current:									
Administration									
Police				13,762	5,184	8,578			
Street repair and maintenance									
Planning and development									
Parks and recreation									
Solid waste									
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay									
Debt service:				140,000		140,000			
Principal retirement									
Interest and fiscal charges									
Total Expenditures				153,762	5,184	148,578			
Excess of Revenues over (under) Expenditures	3,200	5,408	2,208	(141,130)	3,690	144,820	12,000	13,188	1,188
Other Financing Sources (Uses):									
Transfers in				156,259	156,259				
Transfers out				(10,000)	(10,000)				
Total Other Financing Sources (Uses)				146,259	146,259				
Net changes in fund balances	3,200	5,408	2,208	5,129	149,949	144,820	12,000	13,188	1,188
Fund Balances - July 1, 2004		47,462	47,462		328,573	328,573		637,074	637,074
Fund Balances - June 30, 2005	\$3,200	\$52,870	\$49,670	\$5,129	\$478,522	\$473,393	\$12,000	\$650,262	\$638,262

CITY OF ANN ARBOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGETARY COMPARISONS
 For the Year Ended June 30, 2005

	MI EDC Smart Zone			General Debt Service			Special Assessments-Debt Service		
	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)	Modified Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:									
Taxes	\$ 320,000		(\$320,000)	\$ 2,391,836	\$2,389,564	(\$2,272)			
Special assessments/improvement charges								130,872	130,872
Federal grants									
State shared revenues and grants									
Licenses, permits and registration									
Charges for services									
Fines and forfeits									
Interest and penalties									
Investment income		3,486	3,486	2,000	8,268	6,268	100,000	50,227	(49,773)
Rentals							9,000	26,686	17,686
Contributions and donations									
Sale of property and equipment									
Intra-governmental sales									
Miscellaneous									
					(3,079)	(3,079)		50,766	50,766
Total Revenues	320,000	3,486	(316,514)	2,393,836	2,394,753	917	109,000	258,551	149,551
Expenditures:									
Current:									
Administration	320,000		320,000	17,000	4,343	12,657			
Police									
Street repair and maintenance									
Planning and development									
Parks and recreation									
Solid waste									
Community access television									
Urban redevelopment and housing									
Information Services									
Capital outlay									
Debt service:									
Principal retirement				3,144,714	2,116,100	1,028,614	400,000	400,000	
Interest and fiscal charges				1,229,843	876,745	353,098	95,337	94,968	369
Total Expenditures	320,000		320,000	4,391,557	2,997,188	1,394,369	495,337	494,968	369
Excess of Revenues over (under) Expenditures		3,486	3,486	(1,997,721)	(602,435)	1,395,286	(386,337)	(236,417)	149,920
Other Financing Sources (Uses):									
Transfers in		12,199	12,199	2,013,382	632,271	(1,381,111)			
Transfers out									
Total Other Financing Sources (Uses)		12,199	12,199	2,013,382	632,271	(1,381,111)			
Net changes in fund balances		15,685	15,685	15,661	29,836	14,175	(386,337)	(236,417)	149,920
Fund Balances - July 1, 2004		347	347		70,276	70,276	386,337	1,757,977	1,371,640
Fund Balances - June 30, 2005		\$16,032	\$16,032	\$15,661	\$100,112	\$84,451	\$1,521,560	\$1,521,560	

CITY OF ANN ARBOR
ALL INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2005

ASSETS	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Current Assets:					
Cash	\$14,759	\$3,185	\$66,794	\$10,759	\$95,497
Equity in pooled cash and investments	594,739		2,470,381	8,931,561	11,996,681
Accounts receivable			133	4,256	4,389
Less: allowance for uncollectibles			(133)	(4,256)	(4,389)
Due from other funds	83,839		167,616	20,825	272,280
Prepaid items				1,434,877	1,434,877
Inventory, at cost	475,454		323,450		798,904
Total Current Assets	1,168,791	3,185	3,028,241	10,398,022	14,598,239
Property, Plant and Equipment, at cost:					
Land		98,440	96,267		194,707
Buildings	90,663	152,159	257,843		500,665
Improvements other than buildings			62,407		62,407
Vehicles			7,269,809		7,269,809
Machinery and equipment	75,733		2,503,128		2,578,861
Less: Accumulated depreciation	(118,404)	(147,206)	(7,409,712)		(7,675,322)
Net Property, Plant and Equipment	47,992	103,393	2,779,742		2,931,127
Total Assets	1,216,783	106,578	5,807,983	10,398,022	17,529,366
LIABILITIES					
Current Liabilities:					
Accounts payable	\$28,379	\$1,782	\$183,571	\$50,319	\$264,051
Estimated claims payable				5,644,433	5,644,433
Accrued liabilities	3,197	88	33,153	1,853	38,291
Due to other funds	1,415	18,344	71,553	845,324	936,636
Accrued compensated absences - short term	4,047	566	17,006	2,147	23,766
Total Current Liabilities	37,038	20,780	305,283	6,544,076	6,907,177
Long Term Liabilities:					
Accrued compensated absences	23,015	-	250,565	12,640	286,220
Total Long-Term Liabilities	23,015		250,565	12,640	286,220
TOTAL LIABILITIES	60,053	20,780	555,848	6,556,716	7,193,397
Net Assets:					
Invested in Capital Assets	47,992	103,393	2,779,742		2,931,127
Unrestricted (deficit)	1,108,738	(17,595)	2,472,393	3,841,306	7,404,842
TOTAL NET ASSETS	\$1,156,730	\$85,798	\$5,252,135	\$3,841,306	\$10,335,969

CITY OF ANN ARBOR
ALL INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2005

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Operating Revenues:					
Charges for services	\$1,123,433	\$101,373	\$2,464,308	\$16,803,075	\$20,492,189
Miscellaneous revenues			93		93
Total Operating Revenues	1,123,433	101,373	2,464,401	16,803,075	20,492,282
Operating Expenses:					
Personal services	220,549	31,882	1,297,285	417,526	1,967,242
Municipal service charge	46,260	12,552	226,308	291,468	576,588
Materials and supplies	16,399	6,148	28,001	8,780	59,328
Utilities	2,404	54,260	5,669	479	62,812
Insurance	15,913	5,628	39,084	18,211,399	18,272,024
Contractual services	97,793	2,002	6,548	588	106,931
Maintenance		3,891	40,552		44,443
Professional fees	517		3,174	201,311	205,002
Miscellaneous	4,336	594	8,374	1,442	14,746
Cost of goods sold	574,394		1,290,296		1,864,690
Depreciation and amortization	4,996	3,287	999,064		1,007,347
Total Operating Expenses	983,561	120,244	3,944,355	19,132,993	24,181,153
Operating Income (Loss)	139,872	(18,871)	(1,479,954)	(2,329,918)	(3,688,871)
Nonoperating Revenues (Expenses):					
Investment income	12,721	26	29,391	258,968	301,106
Net gain on retirement of capital assets			92,639		92,639
Total Nonoperating Revenues (Expenses)	12,721	26	122,030	258,968	393,745
Income (Loss) Before Transfers	152,593	(18,845)	(1,357,924)	(2,070,950)	(3,295,126)
Transfers In			2,114,031		2,114,031
Transfers Out	(8,661)		(516,681)	(1,925,000)	(2,450,342)
Net Transfers In (Out)	(8,661)		1,597,350	(1,925,000)	(336,311)
Change in Net Assets	143,932	(18,845)	239,426	(3,995,950)	(3,631,437)
Net Assets - July 1, 2004	1,012,798	104,643	5,012,709	7,837,256	13,967,406
Net Assets - June 30, 2005	\$1,156,730	\$85,798	\$5,252,135	\$3,841,306	\$10,335,969

CITY OF ANN ARBOR
ALL INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Cash Flows from Operations:					
Receipts from customers	\$1,127,897	\$101,373	\$2,479,270	\$16,803,435	\$20,511,975
Receipts from interfund services provided		15,308	(29,987)	845,282	830,603
Payments to suppliers	(879,878)	(84,946)	(1,518,093)	(16,328,524)	(18,811,441)
Payments to employees	(237,347)	(32,126)	(1,283,811)	(452,046)	(2,005,330)
Payments for interfund services used	(85,344)		279,845	(12,822)	181,679
Net cash provided by (used in) operating activities	(74,672)	(391)	(72,776)	855,325	707,486
Cash flows from noncapital financing activities:					
Transfers in			2,114,031		2,114,031
Transfers out	(8,661)		(516,681)	(1,925,000)	(2,450,342)
Net cash flows provided by (used in) noncapital financing activities	(8,661)		1,597,350	(1,925,000)	(336,311)
Cash flows from capital and related financing activities:					
Interest paid on capital leases and notes			(275)		(275)
Proceeds from sale of equipment			131,998		131,998
Acquisition of capital assets			(811,866)		(811,866)
Net cash flows used in capital and related financing activities			(680,143)		(680,143)
Cash flows from investing activities:					
Interest and dividends on investments	12,721	26	29,391	258,968	301,106
Net cash flows provided by investing activities	12,721	26	29,391	258,968	301,106
Net increase (decrease) in cash and cash equivalents	(70,612)	(365)	873,822	(810,707)	(7,862)
Cash and cash equivalents - July 1, 2004	680,110	3,550	1,663,353	9,753,027	12,100,040
Cash and cash equivalents - June 30, 2005	\$609,498	\$3,185	\$2,537,175	\$8,942,320	\$12,092,178

(Continued)

CITY OF ANN ARBOR
ALL INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	Central Stores	Park Service Headquarters	Fleet Services	Insurance	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Net operating income (loss)	\$139,872	(\$18,871)	(\$1,479,954)	(\$2,329,918)	(\$3,688,871)
Adjustments not affecting cash:					
Depreciation and amortization					
Allowance for uncollectible accounts	4,996 (2,403)	3,287	999,064 (24,125)		1,007,347 (26,528)
(Increase) decrease in assets and increase (decrease) in liabilities:					
Accounts receivable					
Inventory	6,867		38,994		46,221
Prepaid items	(89,850)		92,035	360	2,185
Accounts payable				(89,142)	(89,142)
Accrued compensated absences	(32,012)	129	37,878	(370,606)	(364,611)
Estimated claims payable	(8,688)	99	38,041	(20,854)	8,598
Accrued liabilities				2,846,691	2,846,691
Due to other funds	(8,110)	(343)	(24,567)	(13,666)	(46,686)
Due from other funds	(1,505)	15,308	(29,987)	845,282	829,098
	(83,839)		279,845	(12,822)	183,184
Net cash provided by (used in) operating activities	(\$74,672)	(\$391)	(\$72,776)	\$855,325	\$707,486

CITY OF ANN ARBOR
ALL FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	Employee Retirement Funds		Total Pension Funds
	Employees' Retirement System	VEBA Trust Fund	
ASSETS			
Cash	\$2,725,757	\$1,116,965	\$3,842,722
Equity in pooled cash and investments		1,426,088	1,426,088
Investments, at fair value:			
Short term investments	7,421,807	492,204	7,914,011
U.S. Government obligations	51,470,904		51,470,904
Municipal bonds	337,586		337,586
Collateralized Mortgage Obligations	8,792,471		8,792,471
Domestic corporate bonds	33,143,140	12,054,677	45,197,817
Domestic stocks	249,678,132	27,601,725	277,279,857
Real Estate-Direct & funds	36,999,618	2,328,682	39,328,300
Accrued interest and dividends	980,953	123,794	1,104,747
Due from other governments	27,428	13,309	40,737
Property, plant & equipment (net of depreciation of \$23,463)	4,934		4,934
Total Assets	391,582,730	45,157,444	436,740,174
LIABILITIES			
Liabilities:			
Accounts payable	\$3,451,044	\$194,104	3,645,148
Accrued liabilities	8,789		8,789
Accrued compensated absences	103,297		103,297
Total Liabilities	3,563,130	194,104	3,757,234
Net Assets:			
Held in Trust for Pension Benefits and Other Purposes	\$388,019,600	\$44,963,340	\$432,982,940

CITY OF ANN ARBOR
ALL FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	Agency Funds			Total Agency Funds
	Treasurer's Current Tax	Contractors' Retainage	Fifteenth District Court	
ASSETS				
Cash	\$813,609	\$275,830	\$219,057	\$1,308,496
Due from other governments		5,133		5,133
Total Assets	<u>\$813,609</u>	<u>\$280,963</u>	<u>\$219,057</u>	<u>\$1,313,629</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$43,658	\$280,963		\$324,621
Due to other governments	769,951		134,957	904,908
Deposits			84,100	84,100
Total Liabilities	<u>\$813,609</u>	<u>\$280,963</u>	<u>\$219,057</u>	<u>\$1,313,629</u>

CITY OF ANN ARBOR
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2005

	Employee Retirement Funds		Total
	Employees' Retirement System	VEBA Trust Fund	
ADDITIONS			
Investment income:			
Net realized and unrealized appreciation in fair value of investments	\$28,985,167	\$2,248,945	\$31,234,112
Interest	4,695,985	748,247	5,444,232
Dividends	1,502,583	451,536	1,954,119
Total investment income	35,183,735	3,448,728	38,632,463
Less investment expense	1,657,944	175,654	1,833,598
Net investment earnings	33,525,791	3,273,074	36,798,865
Contributions:			
Employer	1,044,659	4,099,025	5,143,684
Plan member	2,779,966		2,779,966
Total contributions	3,824,625	4,099,025	7,923,650
Total additions	37,350,416	7,372,099	44,722,515
DEDUCTIONS			
Benefits	21,510,124		21,510,124
Refund of contributions	515,496		515,496
Administrative expense	3,471,369	19,348	3,490,717
Total deductions	25,496,989	19,348	25,516,337
Change in net assets	11,853,427	7,352,751	19,206,178
Net assets held in trust for benefits at beginning of year	376,166,173	37,610,589	413,776,762
Net assets held in trust for benefits at end of year	\$388,019,600	\$44,963,340	\$432,982,940

CITY OF ANN ARBOR
ALL AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
TREASURER'S CURRENT TAX FUND				
ASSETS				
Cash	\$37,508	\$603,577,593	\$602,801,492	\$813,609
Equity in pooled cash and investments		295,163,030	295,163,030	
Due from other funds		201,092	201,092	
Total Assets	\$37,508	\$898,941,715	\$898,165,614	\$813,609
LIABILITIES				
Accounts payable	\$37,508	\$1,942,645	\$1,936,495	\$43,658
Due to other funds		735,824	735,824	
Due to other governments		214,677,066	213,907,115	769,951
Total Liabilities	\$37,508	\$217,355,535	\$216,579,434	\$813,609

CITY OF ANN ARBOR
ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
TREASURER'S DELINQUENT TAX FUND				
ASSETS				
Cash	\$204,412	\$1,039,849	\$1,244,261	
Equity in pooled cash and investments		758,125	758,125	
Total Assets	\$204,412	\$1,797,974	\$2,002,386	
LIABILITIES				
Accounts payable		\$3,777	\$3,777	
Due to other funds		530,832	530,832	
Due to other governments	204,412	506,317	710,729	
Total Liabilities	\$204,412	\$1,040,926	\$1,245,338	
CONTRACTORS' RETAINAGES FUND				
ASSETS				
Cash	\$678,902	\$1,842,998	\$2,246,070	\$275,830
Due from other government		5,133		5,133
Equity in pooled cash and investments		692,054	692,054	
Due from other funds		20,594	20,594	
Total Assets	\$678,902	\$2,560,779	\$2,958,718	\$280,963
LIABILITIES				
Accounts payable		\$869,472	\$1,267,411	\$280,963
Due to other funds	\$678,902	264,700	264,700	
Total Liabilities	\$678,902	\$1,134,172	\$1,532,111	\$280,963

CITY OF ANN ARBOR
ALL AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
FIFTEENTH DISTRICT COURT				
ASSETS				
Cash	\$204,432	\$283,654	\$269,029	\$219,057
LIABILITIES				
Due to other funds		\$269,029	\$269,029	
Due to other governments	\$124,825	10,132		134,957
Deposits	79,607	4,493		84,100
Total Liabilities	\$204,432	\$283,654	\$269,029	\$219,057
TOTAL - ALL AGENCY FUNDS				
ASSETS				
Cash	\$1,125,254	\$606,744,094	\$606,560,852	\$1,308,496
Equity in pooled cash and investments		296,613,209	296,613,209	
Due from other funds		221,686	221,686	
Due from other governments		5,133		5,133
Total Assets	\$1,125,254	\$903,584,122	\$903,395,747	\$1,313,629
LIABILITIES				
Accounts payable	\$716,410	\$2,815,894	\$3,207,683	\$324,621
Due to other funds		1,800,385	1,800,385	
Due to other governments	329,237	215,193,515	214,617,844	904,908
Deposits	79,607	4,493		84,100
Total Liabilities	\$1,125,254	\$219,814,287	\$219,625,912	\$1,313,629

TABLE I

CITY OF ANN ARBOR
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	General Government	Public Safety and Justice	Highways and Streets	(1) Fleet Services	(2) Solid Waste	Health/ Social Services	Culture and Recreation	Debt Service	Transfers to Ann Arbor Transportation Authority	Other	Total
1995-96	\$ 21,987,922	\$ 22,367,044	\$ 13,461,610	\$ 2,508,410	\$ 4,058,967	\$ 2,598,020	\$ 5,201,288	\$ 5,537,039	\$ 5,560,123	\$ 1,797	\$ 83,282,220
1996-97	22,582,732	23,891,469	12,112,829	2,718,602	4,565,859	3,494,159	5,897,498	5,458,333	5,753,186	94	86,474,761
1997-98	14,665,219	31,352,475	10,661,950		5,817,958	3,685,771	7,906,103	5,671,627	5,967,106	1,334,460	87,062,669
1998-99	14,936,004	32,109,227	14,746,181		5,946,846	3,837,878	9,684,027	5,088,188	6,265,996		92,614,347
1999-00	17,771,338	32,893,940	18,637,509		6,482,045	3,219,633	9,231,520	5,105,664	6,523,601		99,865,250
2000-01	17,901,505	39,436,291	18,218,884		6,406,705	4,207,320	9,428,250	4,803,225	6,776,531		107,178,711
2001-02	18,493,802	37,125,565	13,676,514		6,855,787	3,752,615	9,669,723	3,610,715	7,137,843		100,322,564
2002-03	19,978,064	37,464,842	11,543,201		6,589,484	3,680,937	11,130,658	3,441,049	7,613,357	10,187,500	111,629,092
2003-04	18,075,817	39,261,897	18,064,660		6,363,071	3,518,856	11,935,954	3,743,483	7,951,457	250,000	109,165,195
2004-05	16,925,174	39,610,619	16,037,811			4,782,131	11,435,111	3,487,813	8,349,044		100,627,703

Note:

Includes all operating expenditures for General, Special Revenue, Expendable Trust (for years prior to 2001-2002), and Debt Service Funds (except capital outlay in Special Revenue Funds).

(1) The operations of Fleet Services (Motor Equipment Fund) were consolidated into the General Fund on July 1, 1992 and re-established as an Internal Service Fund on July 1, 1997.

(2) The operations of Solid Waste were established as an Enterprise Fund effective July 1, 2004.

Source: City of Ann Arbor - Financial Services

TABLE II

CITY OF ANN ARBOR
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Property Taxes	Licenses, Permits and Registrations	Inter-Governmental	Rentals	Charges for Services	Fines and Forfeits	Investment Income	Other	Total
1995-96	\$ 44,836,635	\$ 1,488,056	\$ 22,115,238	\$ 44,965	\$ 9,414,722	\$ 4,043,519	\$ 2,983,843	\$ 1,743,271	\$ 86,670,249
1996-97	46,036,783	1,772,740	21,855,209	73,744	9,380,459	4,260,334	2,989,792	1,437,028	87,806,089
1997-98	48,174,774	2,698,512	22,762,448	71,993	9,564,778	5,052,292	7,031,196	4,519,795	99,875,788
1998-99	50,960,730	2,945,101	23,733,677	52,171	9,154,370	5,238,081	2,737,210	2,130,291	96,951,631
1999-00	52,787,520	4,099,147	23,940,639	50,107	10,368,179	5,737,482	2,661,456	1,991,066	101,635,596
2000-01	54,797,240	3,122,293	25,665,530	49,163	10,196,953	5,541,929	4,558,874	1,306,055	105,238,037
2001-02	57,801,733	2,856,377	26,530,787	53,363	7,335,366	5,321,733	3,355,595	982,161	104,237,115
2002-03	61,284,172	3,001,458	34,335,894	52,839	7,060,039	5,901,225	1,746,522	2,244,735	115,626,884
2003-04	64,162,166	3,145,919	22,473,928	109,655	13,268,471	5,479,578	786,244	2,429,785	111,855,746
2004-05	59,452,810	3,715,412	23,813,341	58,482	9,343,486	5,787,212	1,508,455	844,153	104,523,351

Note:

Includes General, Special Revenue, Debt Service and Expendable Trust Funds (prior to 2001-02).

Source: City of Ann Arbor - Financial Services

Table III

CITY OF ANN ARBOR
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Tax Levy	Current Collections to March 1, each year		Collected to June 30	
		Amount	Percent	Amount	Percent
1995-96	\$ 43,641,062	\$ 42,377,759	97.1	\$ 43,498,845	99.7
1996-97	44,954,725	43,764,688	97.4	44,835,252	99.7
1997-98	47,465,910	46,477,106	97.9	47,352,198	99.8
1998-99	50,297,248	49,305,383	98.0	50,189,332	99.8
1999-00	52,075,252	51,162,749	98.3	51,958,008	99.8
2000-01	54,210,561	53,385,722	98.5	54,138,837	99.9
2001-02	57,214,924	56,263,669	98.3	57,096,077	99.8
2002-03	61,993,518	60,937,583	98.3	61,781,727	99.7
2003-04	64,736,506	63,519,485	98.1	64,535,327	99.7
2004-05	68,096,928	66,903,671	98.2	67,954,005	99.8

Ad valorem taxes are levied July 1st annually, and are due July 31st. Delinquent real property taxes are turned over to the County for collection the following March 1st. The County pays all its municipalities from a revolving fund for delinquent real property taxes. Delinquent personal property taxes are negligible.

Source: City of Ann Arbor - Financial Services, Treasury

TABLE IV

CITY OF ANN ARBOR
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Taxable Value			Final Equalized Assessed Value	True Cash Value	Industrial Facilities Tax Roll
	Real Property	Personal Property	Total Valuation			
1995-96	\$ 2,403,581,095	\$ 224,140,700	\$ 2,627,721,795	\$ 2,633,642,600	\$ 5,267,285,200	\$ 17,551,500
1996-97	2,487,377,168	233,044,900	2,720,422,068	2,722,634,200	5,445,268,400	17,080,600
1997-98	2,561,309,025	242,149,600	2,803,458,625	2,867,066,700	5,734,133,400	15,895,500
1998-99	2,696,959,403	260,367,000	2,957,326,403	3,049,361,700	6,098,723,400	2,001,000
1999-00	2,812,309,779	280,181,600	3,092,491,379	3,274,785,900	6,549,571,800	1,999,100
2000-01	2,949,820,311	267,104,900	3,216,925,211	3,540,261,000	7,080,522,000	-
2001-02	3,153,455,816	269,398,975	3,422,854,791	3,951,507,650	7,903,015,300	-
2002-03	3,375,930,999	299,043,900	3,674,974,899	4,370,512,600	8,741,025,200	-
2003-04	3,554,607,491	274,842,600	3,829,450,091	4,835,407,200	9,670,814,400	31,030,900
2004-05	3,755,255,488	273,920,800	4,029,176,288	5,222,389,700	10,444,779,400	60,772,600

Notes:

- (1) Taxable property in the City is assessed by the City Assessor and is subject to review by the County Board of Equalization. Tax levies on property in Michigan were applied against the assessed value of all property as finally equalized by the State through 1994. Current statutes require assessments to be 50% of the true cash value of both personal and real property for equalization purposes.
- (2) In accordance with Act 409, Public Acts of Michigan, 1965, and Article 9, Section 2 of the Michigan Constitution, as amended by Joint Resolution S on March 15, 1994, state equalized value shall not exceed 50% of the true cash value. With the passage of Proposal "A", another value is required on each property. The new value is termed "taxable value". Increases in taxable value are limited to 5%, the Consumer Price Index, or State Equalized Value, whichever is less.
- (3) 2004/05 Per Capita Taxable Value \$35,242
2004/05 Per Capita True Cash Value \$91,358
- (4) A breakdown of the City's 2004 Taxable Value by use and class is as follows:

By Use	
Residential	60.35%
Commercial	32.55%
Industrial	6.17%
Utility	0.93%
Total	<u>100.00%</u>

By Class	
Real Property	93.16%
Personal Property	6.84%
Total	<u>100.00%</u>

- (5) For the Industrial Facilities tax roll, the millage rate is 50% of the normal millage rate.

Source: City of Ann Arbor - Financial Services, Assessing

TABLE V

CITY OF ANN ARBOR
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
(Unaudited)

CITY OF ANN ARBOR														
	Fiscal Year	General Operating	Refuse Collection	Transportation*	Employee Benefits	Debt Service	Parks	Major Street Repair	Subtotal	Ann Arbor Public Schools**	Ann Arbor District Library***	Washtenaw County	Washtenaw Community College	Total
Homestead	1995-96	6.4515	2.5806	2.1505	1.8671	1.0397	0.8379	1.9509	16.8782	24.8739				
Non-Homestead	1995-96	6.4515	2.5806	2.1505	1.8671	1.0397	0.8379	1.9509	16.8782	32.2625		5.6000	3.0700	50.4221
Homestead	1996-97	6.4515	2.5806	2.1505	1.9060	0.9241	0.8379	1.9509	16.8015	20.8288	1.6500	5.6000	3.0700	57.8107
Non-Homestead	1996-97	6.4515	2.5806	2.1505	1.9060	0.9241	0.8379	1.9509	16.8015	30.8155	1.6500	5.5775	2.9329	47.7907
Homestead	1997-98	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	21.4759	1.6500	5.5775	2.9329	57.5774
Non-Homestead	1997-98	6.4515	2.5806	2.1505	2.1146	1.0864	0.8379	2.0000	17.2215	30.5031	1.6500	5.5322	3.9029	49.7825
Homestead	1998-99	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	20.6808	1.6500	5.5322	3.9029	58.8097
Non-Homestead	1998-99	6.4515	2.5806	2.1505	2.1505	1.0275	0.9450	2.0000	17.3056	30.2352	1.6500	5.5629	4.1029	49.3022
Homestead	1999-00	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	19.9233	1.6500	5.5629	4.1029	58.8566
Non-Homestead	1999-00	6.4515	2.5806	2.1505	2.1505	0.8539	0.9450	2.0000	17.1320	29.6256	1.6500	5.5809	4.0319	48.3181
Homestead	2000-01	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	18.8558	1.9500	5.5317	4.0319	58.0204
Non-Homestead	2000-01	6.0655	2.5674	2.1395	2.1395	0.7901	1.4377	1.9898	17.1295	29.4965	1.9500	5.5317	3.9944	47.4614
Homestead	2001-02	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	18.1505	1.9500	5.7269	3.9721	58.1021
Non-Homestead	2001-02	6.0315	2.5530	2.1275	2.1275	0.7549	1.4295	1.9786	17.0025	29.1050	1.9500	5.7269	3.9721	46.8020
Homestead	2002-03	6.0315	2.5302	2.1085	2.1085	0.6916	1.4166	1.9822	16.8691	19.2398	1.9500	5.7269	3.9721	57.7565
Non-Homestead	2002-03	6.0315	2.5302	2.1085	2.1085	0.6916	1.4166	1.9822	16.8691	30.6320	1.9500	5.6420	3.8559	47.5568
Homestead	2003-04	6.0315	2.5264	2.1054	2.1054	0.7300	1.4236	1.9792	16.9015	17.1741	1.9500	5.6420	3.8559	58.9490
Non-Homestead	2003-04	6.0315	2.5264	2.1054	2.1054	0.7300	1.4236	1.9792	16.9015	29.5202	1.9500	5.5819	3.8343	45.4418
Principle Residence Exemption (PRE)	2004-05	6.2125	2.5137	2.0948	2.0948	0.6000	1.4162	1.9693	16.9013	19.1890	1.9476	5.5819	3.8343	57.7879
Non-PRE	2004-05	6.2125	2.5137	2.0948	2.0948	0.6000	1.4162	1.9693	16.9013	31.5090	1.9476	5.5493	3.7748	47.3620
												5.5493	3.7748	59.6820

* Represents millage collected for Ann Arbor Transportation Authority.

** Includes Washtenaw Intermediate School Ann Arbor District millage of 4.035 mills and State Education Tax of 6.0 mills on both Principle Residence and Non-Principle Residence properties. On Non-Principle Residence properties, an additional 12.3461 mills is included for School Operating Tax.

*** Ann Arbor District Library is now a separate taxing unit, beginning with 1996 tax, and previously was included in Ann Arbor Public Schools millage.

The City has enjoyed a stable property tax rate in all taxing jurisdictions due to annual increases in valuations as a result of economic growth.

Source: City of Ann Arbor - Financial Services, Assessing

TABLE VI

CITY OF ANN ARBOR
SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Current Assessments Due	Current Assessments Collected	Ratio of Collections to Assessments Due	Outstanding Current and Delinquent Assessments
1995-96	\$ 632,106	\$ 632,106	100	-0-
1996-97	655,083	655,083	100	-0-
1997-98	580,572	580,572	100	-0-
1998-99	520,036	520,036	100	-0-
1999-00	535,772	535,772	100	-0-
2000-01	411,752	411,752	100	-0-
2001-02	568,966	568,966	100	-0-
2002-03	323,895	323,895	100	-0-
2003-04	227,687	227,687	100	-0-
2004-05	303,800	303,800	100	-0-

Note:

All assessments are either paid when due or added to the property tax bill. Delinquent taxes are turned over to the County for collection the following March 1st. The County pays all its municipalities from a revolving fund for delinquent real property taxes. Therefore, all assessments are considered collected currently.

Source: City of Ann Arbor - Financial Services, Treasury

TABLE VII

CITY OF ANN ARBOR
RATIO OF NET GENERAL BONDED DEBT
TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Population	Taxable Value	Gross Bonded Debt (1)	Debt Service Monies Available (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
1995-96	109,440	\$ 2,627,721,795	\$ 27,475,000	\$ 450,970	\$ 27,024,030	0.0103	\$ 246.93
1996-97	109,440	2,720,422,068	26,395,000	(20,501)	26,415,501	0.0097	241.37
1997-98	109,440	2,803,458,625	25,110,000	255	25,109,745	0.0090	229.44
1998-99	109,440	2,957,326,403	23,380,000	180,634	23,199,366	0.0078	211.98
1999-00	109,472	3,092,491,379	21,840,000	199,356	21,640,644	0.0070	197.68
2000-01	113,992	3,216,925,211	20,300,000	199,700	20,100,300	0.0062	176.33
2001-02	114,061	3,422,854,791	19,020,000	188,202	18,831,798	0.0055	165.10
2002-03	114,061	3,674,974,899	17,330,000	42,233	17,287,767	0.0047	151.57
2003-04	114,061	3,829,450,091	15,540,000	70,276	15,469,724	0.0040	135.63
2004-05	114,328	4,029,176,288	16,365,000	100,112	16,264,888	0.0040	142.27

Notes:

- (1) All long-term general obligation debt, except debt issued for Enterprise Funds, Special Revenue bonds and Ann Arbor Building Authority bonds.
- (2) General Debt Service Fund Balance (deficit) at end of fiscal year (General Debt Only).

Source: City of Ann Arbor - Financial Services

TABLE VIII

CITY OF ANN ARBOR
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005
(Unaudited)

Taxable value of real and personal property	\$ 4,029,176,288
Legal debt limit (10% of taxable value)	<u>402,917,629</u>
Debt subject to limit:	
Net direct debt	45,469,255
Less: Special Assessment bonds (general obligation portion)	(1,524,636)
Indirect debt	<u>43,944,619</u>
Legal debt margin	<u>\$ 358,973,010</u>

Source: City of Ann Arbor - Financial Services

TABLE IX

CITY OF ANN ARBOR
COMPUTATION OF NET DIRECT, INDIRECT AND OVERLAPPING DEBT
June 30, 2005
(Unaudited)

	Gross Amount Outstanding	Self-Supporting Or Paid By Benefited Entity	Net Amount Outstanding
DIRECT AND INDIRECT DEBT			
General Obligation Bonds	\$23,788,434	\$10,137,229	\$13,651,205
Special Assessment Bonds	1,524,636	1,524,636	
Ann Arbor Building Authority Bonds	28,270,000		28,270,000
Revenue Bonds	71,405,000	71,405,000	
Other Long-Term Debt	5,807,777	2,259,727	3,548,050
Other Bonds	1,405,550	1,405,550	
NET DIRECT AND INDIRECT DEBT	\$132,201,397	\$86,732,142	45,469,255
OVERLAPPING DEBT			
61.56% Ann Arbor School District	146,535,000	56,328,054	90,206,946
32.23% Washtenaw Community College	54,640,000	37,029,528	17,610,472
31.46% Washtenaw County at Large	38,815,236	26,603,963	12,211,273
NET OVERLAPPING DEBT	\$239,990,236	\$119,961,545	120,028,691
NET DIRECT, INDIRECT AND OVERLAPPING DEBT			\$165,497,946
PER CAPITA (114,328)			
Net Direct and Indirect Debt			\$397.71
Net Direct, Indirect and Overlapping Debt			\$1,447.57
RATIO TO 2004/2005 TAXABLE VALUE (\$4,029,176,288)			
Net Direct and Indirect Debt			1.13%
Net Direct, Indirect and Overlapping Debt			4.11%

Source: Municipal Advisory Council

TABLE X

CITY OF ANN ARBOR
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Principal Retirement	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures (1)	Percent of Debt Service to Total General Governmental Expenditures
1995-96	\$ 2,850,604	\$ 2,686,435	\$ 5,537,039	\$ 83,282,220	6.6%
1996-97	2,923,417	2,534,916	5,458,333	86,474,761	6.3%
1997-98	3,309,691	2,361,936	5,671,627	85,852,405	6.6%
1998-99	2,940,190	2,147,998	5,088,188	91,337,982	5.6%
1999-00	3,449,129	1,656,535	5,105,664	99,865,250	5.1%
2000-01	3,330,792	1,472,433	4,803,225	107,178,711	4.5%
2001-02	2,544,562	1,066,153	3,610,715	100,322,564	3.6%
2002-03	3,305,970	1,292,084	4,598,054	111,629,092	4.1%
2003-04	3,389,076	1,429,218	4,818,294	109,165,195	4.4%
2004-05	3,544,714	1,322,509	4,867,223	100,627,703	4.8%

(1) Includes General, Special Revenue, Expendable Trust (prior to 2001-2002) and Debt Service Funds (except capital outlay in Special Revenue Funds).

Source: City of Ann Arbor - Financial Services

TABLE XI

CITY OF ANN ARBOR
REVENUE BOND COVERAGE ENTERPRISE FUNDS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Operating Revenue (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
Water Supply System:							
1995-96	\$ 13,439,193	\$ 8,857,326	\$ 4,581,867	\$ 1,500,000	\$ 1,838,626	\$ 3,338,626	1.4
1996-97	13,386,972	9,739,310	3,647,662	1,655,000	2,038,256	3,693,256	1.0
1997-98	14,385,459	10,208,257	4,177,202	1,520,000	1,963,116	3,483,116	1.2
1998-99	13,491,641	10,398,392	3,093,249	1,525,000	1,862,659	3,387,659	0.9
1999-00	15,347,694	10,323,987	5,023,707	1,880,000	2,000,997	3,880,997	1.3
2000-01	15,324,166	9,654,378	5,669,788	1,985,000	1,775,399	3,760,399	1.5
2001-02	17,772,569	9,955,579	7,816,990	2,235,000	1,653,572	3,888,572	2.0
2002-03	16,510,943	10,629,592	5,881,351	2,240,000	1,779,305	4,019,305	1.5
2003-04	16,105,264	11,065,321	5,039,943	2,470,000	1,580,236	4,050,236	1.2
2004-05	18,365,626	12,229,142	6,136,484	2,665,000	1,753,678	4,418,678	1.4
Sewage Disposal System:							
1995-96	\$ 14,393,362	\$ 9,557,620	\$ 4,835,742	\$ 1,120,000	\$ 705,720	\$ 1,825,720	2.6
1996-97	13,735,303	9,223,847	4,511,456	1,245,000	721,655	1,966,655	2.3
1997-98	14,896,297	9,650,824	5,245,473	1,040,000	653,672	1,693,672	3.1
1998-99	12,610,932	9,673,398	2,937,534	1,095,000	575,047	1,670,047	1.8
1999-00	14,181,088	11,236,645	2,944,443	1,200,000	528,680	1,728,680	1.7
2000-01	15,140,567	12,526,551	2,614,016	1,250,000	478,705	1,728,705	1.5
2001-02	16,870,157	10,147,750	6,722,407	1,305,000	411,860	1,716,860	3.9
2002-03	16,555,436	9,578,002	6,977,434	1,300,000	367,060	1,667,060	4.2
2003-04	15,938,987	10,904,443	5,034,544	1,115,000	322,820	1,437,820	3.5
2004-05	19,351,456	9,667,652	9,683,804	1,125,000	1,694,292	2,819,292	3.4
Stormwater Sewer System:							
1995-96	\$ 1,930,998	\$ 1,395,255	\$ 535,743	\$ 70,000	\$ 79,624	\$ 149,624	3.6
1996-97	2,042,180	1,598,145	444,035	75,000	74,647	149,647	3.0
1997-98	2,054,249	1,533,796	520,453	80,000	69,204	149,204	3.5
1998-99	2,137,340	1,713,109	424,231	80,000	64,506	144,506	2.9
1999-00	1,999,327	1,721,429	277,898	85,000	61,750	146,750	1.9
2000-01	2,129,529	1,666,023	463,506	95,000	56,508	151,508	3.1
2001-02	2,487,424	1,581,689	905,735	100,000	51,781	151,781	6.0
2002-03	2,688,709	1,681,136	1,007,573	105,000	45,270	150,270	6.7
2003-04	2,859,418	1,691,556	1,167,862	110,000	41,366	151,366	7.7
2004-05	3,578,596	1,449,544	2,129,052	115,000	36,243	151,243	14.1

Notes:

(1) Includes interest income.

(2) Excludes depreciation expense.

Source: City of Ann Arbor - Financial Services

TABLE XII

CITY OF ANN ARBOR
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Population (1)	Median age (1)	Education Level in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate % (3)
1995-96	109,440	27.9	16.5	15,368	2.5
1996-97	109,440	27.9	16.5	15,560	2.5
1997-98	109,440	27.9	16.5	16,800	2.0
1998-99	109,440	27.9	16.5	16,330	1.8
1999-00	109,472	27.9	16.5	16,530	1.5
2000-01	113,992	27.9	16.5	16,589	2.9
2001-02	114,024	28.1	16.5	16,768	2.9
2002-03	114,061	28.1	16.5	16,664	4.1
2003-04	114,061	28.1	16.5	16,724	4.4
2004-05	114,328	28.1	16.5	16,980	4.7

Sources:

- (1) U. S. Census Bureau 2002
- (2) Ann Arbor Public School's Child Accounting Office.
- (3) Michigan Employment Security Commission statistics for Washtenaw County.

TABLE XIII

CITY OF ANN ARBOR
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Property Value</u>	<u>New Construction</u>	<u>Bank Deposits</u>
1995-96	\$ 5,267,285,200	\$ 79,791,127	\$ 115,465,544,000
1996-97	5,445,268,400	95,138,092	106,423,322,000
1997-98	5,734,133,400	135,196,054	64,514,625,000
1998-99	6,098,723,400	155,306,060	52,890,434,000
1999-00	6,549,571,800	322,464,582	75,400,277,000
2000-01	7,080,522,000	204,325,294	57,717,028,000 *
2001-02	7,903,015,300	133,835,686	42,911,831,000 *
2002-03	8,741,025,200	218,171,600	48,041,005,985 *
2003-04	9,670,814,400	267,378,600	160,395,306,000 *
2004-05	10,444,779,400	157,859,588	31,889,426,000 *

Sources: City of Ann Arbor - Building Department and Financial Services, Assessing
Local Financial Institutions

* Includes deposits other than Michigan

TABLE XIV

CITY OF ANN ARBOR
PRINCIPAL TAXPAYERS
(Unaudited)

The twenty largest taxpayers for the 2004-05 fiscal year and their 2004 Taxable Values are as follows:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Value</u>
Pfizer	Pharmaceuticals	\$200,365,900	4.97%
Briarwood Shopping Complex	Shopping Center	35,975,316	0.89%
Detroit Edison	Utility	27,022,655	0.67%
Arborland	Shopping Center	19,733,504	0.49%
Geddes Lakes Cooperative	Co-op Housing	15,862,230	0.39%
McKinley Associates	Apartments	15,354,353	0.38%
Windemere Park Apt.	Apartments	14,001,751	0.35%
Village Co-op	Co-op Housing	13,153,339	0.33%
Michigan Consolidated Gas Co.	Utility	12,437,000	0.31%
Glacier Hills	Elderly Housing	12,414,549	0.31%
Phoenix Drive LLC	Corporate Headquarters	11,782,197	0.29%
Botanical Gardens Assoc.	Apartments	11,392,048	0.28%
Burlington Property, LLC	Office Building	10,797,200	0.27%
EQR-Fancap	Apartments	10,766,019	0.27%
Great Lakes Real Estate Investment Trust	Office Building	10,279,998	0.26%
Signature Villas	Apartments	10,120,971	0.25%
Arbor Landings	Apartments	10,110,965	0.25%
Arbor Lake Village Apt.	Apartments	9,841,803	0.24%
Comcast	Cable Television	9,746,542	0.24%
Bella Costa	Apartments	8,034,620	0.20%
Total		<u>\$ 469,192,960</u>	<u>11.64%</u>

These taxpayers represent 12.25% of the City's 2004 valuation.

Source: City of Ann Arbor - Financial Services, Assessing

TABLE XV

CITY OF ANN ARBOR
MISCELLANEOUS STATISTICS
June 30, 2005
(Unaudited)

Date of incorporation	1851	Sewers:	
Form of government	Council-Administrator	Miles of sanitary sewers	395
Miles of streets	295.13	Miles of storm sewers	341
Number of street lights	8,858		
Fire protection:		Culture and recreation:	
Number of stations	5	Number of parks	153 with 2,055 acres
Number of firefighters and officers	100		2 18-hole golf courses
Number of fire hydrants	3428		2 enclosed ice arena, 1 with roof
			3 outdoor pools, 1 indoor pool
			3 historic sites
Water Utilities Department:			1 art center, 1 senior center
Number of connections	27,478		2 canoe liveries
Average daily consumption	14.5 MGD		
Miles of water mains	478*	Permanent employees:	840
(*University of Michigan, maintained and owned 14.8 miles)			

Area and Population Data:

<u>Year</u>	<u>Population</u>	<u>Area in Square Miles</u>
1950	48,251	7.3
1960	67,340	15.0
1970	100,035	23.3
1980	107,969	23.5
1990	109,592	27.0
2000	109,472	28.5
2001	113,992	28.6
2002	114,024	28.6
2003	114,024	28.6
2004	114,024	28.6
2005	114,328	28.6

Source: Various City of Ann Arbor Departments
U.S. Census Bureau

CITY OF ANN ARBOR
COMMUNITY PROFILE/INFORMATION
June 30, 2005
(Unaudited)

The City of Ann Arbor is located in the approximate center of Washtenaw County in the southeastern section of Michigan's lower peninsula. The City is approximately 28 square miles in area and serves as the county seat. It is known nationally as the home of the University of Michigan, which currently employs approximately 23,044 people.

Ann Arbor offers a unique blend of business, education, and recreational opportunities. Through the efforts of local builders, contractors and retailers, the City has not only grown at its outer boundaries, but the central City remains a vibrant dining, service and entertainment location. The area is serviced by prominent legal counsel, excellent account and brokerage houses, several advertising agencies, employment services, insurance companies, realtors, data processing centers, travel agencies and testing facilities, as well as consultants and engineering firms for all needs. Additionally, the City has attracted high technology research industries in the computer, engineering, and energy fields, which are expected to aid in the future economic growth of the area.

Among the cultural and recreational attractions available to Ann Arbor residents are the Professional Theater Program at the University of Michigan, Ann Arbor Civic Theater, Ann Arbor Symphony Orchestra, University Musical Society presentations, and a number of museums and galleries. There are several public and private golf courses, and the City park system encompasses 2,055 acres, which includes 153 park sites. The collegiate sports spectator can see first-class sporting events throughout the year at the University, including football, basketball, baseball, and hockey.

EMPLOYMENT

Residents of the City are characterized as being well educated. According to the 2000 U. S. Census, over 69 percent of its residents over 25 years of age had completed four or more years of college. Forty-two percent of the total work force is engaged in managerial and professional occupations, with the largest portions in the health service, education and research, retail and manufacturing industries.

HIGHER EDUCATION

The University of Michigan has a reputation for academic excellence and is one of Ann Arbor's greatest assets. Rated among the top ten universities by the American Council of Education, the University enrolls over 39,000 students in 19 schools and colleges. The school is well equipped to provide instruction and research opportunities in a wide variety of fields.

There are six other institutions of higher learning located within a ten-mile radius of downtown Ann Arbor, they are: Washtenaw Community College, Cleary College, Eastern Michigan University, Concordia College, Ave Maria College and Ave Maria School of Law.

MEDICAL FACILITIES

Students and residents of Ann Arbor are served by the nationally acclaimed University of Michigan Medical Center, which houses seven hospitals and an eight-story patient tower with over 800 beds and outpatient clinics in 15 major clinical areas. Ann Arbor residents are also served by these area medical institutions: Veterans Administration Hospital, and St. Joseph Mercy Health System.

COMMUNITY PROFILE/INFORMATION
June 30, 2005

HOUSING

A varied housing supply exists in Ann Arbor to meet the wide range of needs of local residents. The housing stock includes single-family homes, duplexes, condominiums, multiple family apartments, and rooms in houses and dormitories. The housing market generally follows the University of Michigan's schedule (more housing is available in the spring and less at the start of each semester). In addition to several newer subdivisions in and around the City, Ann Arbor's older housing is generally in excellent condition and in considerable demand. The City's west side and downtown have been designated historical districts, where the homes retain the charm, character, and unique architecture of days past.

Rental housing is available throughout the City in a wide range of styles, sizes, and price, furnished and unfurnished. The following statistics further identify Ann Arbor's housing characteristics:

	1980 <u>U. S. Census</u>	1990 <u>U. S. Census</u>	2000 <u>U. S. Census</u>
Total year round housing units	40,139	44,010	47,218
Total occupied housing units	38,945	41,657	45,693
Median value owner occupied, single-family housing unit	\$69,600	\$116,400	\$181,400

TRANSPORTATION

A major expressway network surrounds Ann Arbor including Interstate 94, the major east-west artery across Michigan connecting Detroit and Chicago, and U. S. 23, which links Ann Arbor to northern Michigan and to Ohio to the south. M-14 is a major eastbound connector to I-275 and I-96, which supplies access to the northern metropolitan areas of Wayne, Oakland, and Macomb Counties.

A variety of local transportation services are provided by the Ann Arbor Transportation Authority. Greyhound Bus Lines, Overland Travel, and Indian Trails Motor Coach provide bus service to and from Ann Arbor.

Passenger rail service is available to the east through Detroit and to the west through Chicago from the Amtrak Passenger Station in Ann Arbor. Rail freight service is provided by Conrail and Norfolk & Western Rail Road Companies.

Corporate and flight training service is provided by the Ann Arbor Municipal Airport, located on the south side of Ann Arbor. Willow Run Airport, 11 miles from Ann Arbor, is a cargo transportation center; and passenger airline service is available on major commercial carriers from Detroit Wayne County Metropolitan Airport, 23 miles east of the City.

TABLE XVI

COMMUNITY PROFILE/INFORMATION
June 30, 2005

POPULATION CHARACTERISTICS

The residents of the City are generally homeowners, have an above average education and enjoy a stable, fairly high income. The following comparative statistics were taken from 1980, 1990, and 2000 U.S. Census reports.

	1980 <u>U. S. Census</u>	1990 <u>U. S. Census</u>	2000 <u>U. S. Census</u>
Age Distribution			
Percent of persons 17 years and under	19.1%	17.3%	25.2%*
Percent of persons 18-64 years old	75.0	75.5	67.0%**
Percent of persons 65 years and over	5.9	7.2	7.9
Education Levels			
Percent of persons who completed 4 years of high school or more	90.6%	93.9%	95.7%
Percent of persons who completed 4 years of college or more	56.2%	64.2%	69.3%
Median Family Income	\$25,202	\$50,192	\$71,293

* Persons 19 yrs. and under

**Persons 20-64 yrs. old

UTILITIES

Ann Arbor residents are supplied with electric power and natural gas by DTE Energy Company. Local Telephone service is provided by SBC. Water and sewage disposal is provided by The City of Ann Arbor Water Utilities Service Unit.

COMMUNITY PROFILE/INFORMATION
June 30, 2005

DEVELOPMENT

During the 2004-2005 fiscal year, several residential projects were approved, including Somerset Estates on the north side of Dhu Varren Road between Birchwood and Omlesaad for 11 single-family lots; Oaks of Ann Arbor at 3589, 3599 and 3621 Stone School Road for 44 single-family townhouse dwelling units; Maple View Apartments at 900 South Maple Road for a ten-unit apartment building; 828 Greene Street for a six-unit apartment building; North Sky on the west side of Pontiac Trail; south of Dhu Varren Road, for 182 single-family, duplex and townhome buildings; and several other residential projects. Mixed-use projects approved included First and William Lofts at 315 South First Street for 60 residential units and commercial uses. Non-residential projects approved included Ann Arbor Assembly of God at 2455 Washtenaw Avenue for an addition to the existing building; Washtenaw Veterinary Hospital at 2729 Packard Road for a new veterinary hospital; Korean United Methodist Church at 1526 Franklin Street for a building north of the existing church building; Pfizer Global Research & Development at 2800 Plymouth Road for an addition to an existing laboratory/office building (Building 35); Farah Professional Center at 3100 West Liberty Road for an office building; Karnik Pet Lodge at 405 North Maple Road for a kennel building; Research Park (Lot 16) at 3971 Research Park Drive for additions to an existing building; 3354 Washtenaw Avenue for a retail building; Chalmers Place at 3365 Washtenaw Avenue for a retail/office building; and Pizza House Restaurant at 618 Church Street for an addition to the existing restaurant.

Source: Various City of Ann Arbor Departments and U.S. Census Bureau



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

 an independent member of
BAKER TILLY
INTERNATIONAL

October 21, 2005

RECEIVED
DEPT. OF TREASURY

JAN 03 2006

Honorable Mayor and Members
of the City Council
City of Ann Arbor, Michigan

LOCAL AUDIT & FINANCE DIV.

We have audited the basic financial statements of the *City of Ann Arbor* as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. We did not audit the financial statements of the Ann Arbor Housing Commission component unit. Those financial statements were audited by other auditors whose report was furnished to us.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 5, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City of Ann Arbor's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Ann Arbor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Ann Arbor's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Ann Arbor's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Ann Arbor's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Ann Arbor are described in Note 3 to the financial statements.

We noted no transactions entered into by the City of Ann Arbor during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in the City's Insurance Internal Service Fund. We relied upon the work of the City's third-party administrators and Finance Department staff for the estimated liability on reported claims and calculated the estimated liability for incurred but not reported claims based on GASB Statement 10 (as amended by GASB Statement 30 and Interpretation 4).
- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of non-infrastructure capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City of Ann Arbor that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. In our judgment, none of the adjustments we proposed (all of which were recorded by the City), either individually or in the aggregate, indicate matters that could have a significant effect on the City's financial reporting process.

We also identified certain insignificant audit adjustments, which were not corrected, as follows:

- At year-end, the Water Fund did not have an account payable recorded in the amount of \$3,706. The effect of this error was an understatement of liabilities and expense in the amount of \$3,706.
- The Sewer Fund did not have an account payable recorded in the amount of \$9,522. The effect of this error was an understatement of liabilities and expense in the amount of \$9,522.
- The Community Development Fund did not have an account payable recorded in the amount of \$15,461. The effect of this error was an understatement of liabilities and expense in the amount of \$15,461.

Management has determined that the effects of the uncorrected variance are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Ann Arbor's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



THE CITY OF ANN ARBOR

Comments and Recommendations

For The Year Ended June 30, 2005

During our audit we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. This memorandum summarizes our comments and recommendations regarding those matters. A separate report dated October 21, 2005, contains our report on reportable conditions in the City's internal control structure. This memorandum does not affect our report dated October 21, 2005, on the financial statements of the City of Ann Arbor.

We will review the status of these comments during our next audit engagement. We have already discussed these matters with City management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist the City in implementing the recommendations.

A. Water and Sewer Reconciliation and Diagnostic Processes

The Water and Sewer enterprise funds collectively account for approximately \$36 million in annual revenues generated primarily from charges to customers. Accordingly, internal monitoring of billing systems and controls is of utmost importance.

The Cogsdale System has several diagnostic (audit) reports available for use in order to determine if there are inconsistencies in the billing process. For example, the "Water no Sewer" report provides a listing of customers charged for water but had no sewer charges. Items on the listing can be checked to determine why there were no sewer charges and whether they should have a sewer connection, or if there is a legitimate reason for not being billed for sewer service (still on septic field, etc.). These reports were created during the year ended June 30, 2004 to be used starting the quarter ending September 30, 2004. These diagnostic reports were not run until the quarter ended June 30, 2005 for some of the billing districts.

We again recommend that the Department run the various diagnostic reports throughout the year for all districts in order to determine if there are any inconsistencies in the billing registers which would cause under-billings of revenues.

B. DDA Accounting and Budgeting Processes

The City of Ann Arbor Downtown Development Authority is a component unit of the City of Ann Arbor, and its financial statements are included in the City's comprehensive annual financial reports. The following items were noted during the conduction of our audit for the year ended June 30, 2005:

Currently, Authority payroll is processed by the City of Ann Arbor's payroll division. Time sheets are transmitted to payroll on a bi-weekly basis. There is no review by a supervisory official of the timesheets before being sent for payroll processing. Also, copies of the time sheets are not maintained by the Authority, nor the City of Ann Arbor payroll division.

THE CITY OF ANN ARBOR

Comments and Recommendations

For The Year Ended June 30, 2005

We recommend that the Deputy Director approve all timesheets before being submitted to the payroll division for further processing. Also, copies of the time sheets should be maintained for a length of time deemed appropriate, but at least two years.

C. Purchase Card Procedures

The City authorizes the use of purchase (credit) cards in for certain purchase transactions as a supplement to purchase orders and other procurement techniques. These procedures are governed by Administrative Policy # 512.

As part of our audit process, we tested certain purchase card transactions for the year ended June 30, 2005. We noted in several instances that the charge slip had no detail of the items charged, which is not in accordance with the current Administrative Policy # 512. Also, certain transactions initially had no detailed receipts for the transaction at the time of the audit test. Receipt documentation in all cases was subsequently received from the vendor.

We recommend that future City purchases through the use of credit cards include documentation of the detail of items charged and that all such transactions be accompanied by proper receipts. Continued lack of this documentation should lead to revocation of the purchase card from the user.

D. Performance Deposits

Performance deposits are shown as a liability in the general fund and total approximately \$1,361,000. Most of these deposits are current; however, we noted that some of the deposits, according to detail records, have been held for several years, with some held as long as 12 years.

We recommend that deposit held over 5 years be investigated to determine why the deposit is still held. If the deposits are in forfeiture status or the payer cannot be located, the amounts could possibly be transferred to the general fund.

* * * * *

**CITY OF ANN ARBOR,
MICHIGAN**

SINGLE AUDIT

For the Year Ended June 30, 2005

**CITY OF ANN ARBOR, MICHIGAN
SINGLE AUDIT**

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REHMANN ROBSON

Certified Public Accountants

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INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 21, 2005

Honorable Mayor and Members
of the City Council
City of Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **CITY OF ANN ARBOR, MICHIGAN** as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2005. We did not audit the financial statements of the Ann Arbor Housing Commission, which represents 34% of the assets and 47% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ann Arbor's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the City of Ann Arbor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the *City of Ann Arbor, Michigan* in a separate letter dated October 21, 2005.

This report is intended solely for the information and use of the audit committee, management, the City Council, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehman Lohman



REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

October 21, 2005

Honorable Mayor and Members
of the City Council
City of Ann Arbor, Michigan

Compliance

We have audited the compliance of the *City of Ann Arbor, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The *City of Ann Arbor, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the *City of Ann Arbor, Michigan's* management. Our responsibility is to express an opinion on the *City of Ann Arbor, Michigan's* compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *City of Ann Arbor, Michigan's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the *City of Ann Arbor, Michigan's* compliance with those requirements.

As described in item 2005-1 in the accompanying schedule of findings and questioned costs, the City of Ann Arbor did not comply with requirements regarding reporting that are applicable to its Home Investment Partnership Program. Compliance with such requirements is necessary, in our opinion, for the City of Ann Arbor to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the *City of Ann Arbor, Michigan* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the *City of Ann Arbor, Michigan* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the *City of Ann Arbor, Michigan's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2005-1

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the matter referred to above, we did not consider finding 2005-1 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Ann Arbor, Michigan* as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2005. We did not audit the financial statements of the Ann Arbor Housing Commission, which represents 34% of the assets and 47% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Ann Arbor Housing Commission, is based solely on the report of the other auditors.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehman Johnson

City of Ann Arbor
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2005

Federal Grantor/ Program Title	Federal CFDA Number	Project Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Community Development Block Grant Program:	14.218		
Program year 2003/04		B-03-MC-26-0001	\$ 399,561
Program year 2004/05		B-04-MC-26-0001	906,558
Total Community Development Block Grant			<u>1,306,119</u>
Direct Program:			
Home Investment Partnership Program	14.239		
Program year 1998/99		M-98-MC260201	25,077
Program year 1999/00		M-99-MC260201	444,150
Program year 2000/01		M-00-MC260201	236,139
Program year 2001/02		M-01-MC260201	306,750
Program year 2002/03		M-02-MC260201	470,183
Program year 2003/04		M-03-MC260201	290,957
Program year 2004/05		M-04-MC260201	269,727
Total Home Investment Partnership Program			<u>2,042,983</u>
Total U.S. Department of Housing and Urban Development			<u>3,349,102</u>
U.S. Department of Justice			
Passed through the State of Michigan			
Michigan State Police:			
2003-2005 SHSGP Training Grant	16.007	n/a	16,250
2004-2005 SHSGP SAP Grant	16.007	n/a	31,125
Total Emergency Management Division			<u>47,375</u>
Passed-through the State of Michigan, Department of Community Health			
Office of Drug Control Policy:	16.592		
Local Law Enforcement Block Grant		2004-LB-BX-0931	26,849
Local Law Enforcement Block Grant		2003-LB-BX-1787	55,248
Total Local Law Enforcement Block Grant			<u>82,097</u>
Total U.S. Department of Justice			<u>129,472</u>
U.S. Department of Energy			
Passed through the State of Michigan,			
Department of Commerce & Industry Services:			
Transportation Technologies- Clean Cities Program Incentive	81.041		
		PLA-04-15	2,700
Clean Cities Assistant		PLA-05-40	18,110
Total U.S. Department of Energy			<u>20,810</u>

City of Ann Arbor
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2005

Federal Grantor/ Program Title	Federal CFDA Number	Project Number	Federal Expenditures continued...
Federal Emergency Management Agency			
Passed through the State of Michigan			
Emergency Management Division:			
02 State Disaster \$50K Preparedness Prog	97.004	n/a	\$ 2,498
03 SHSGP RRT Mass Decontamination	97.004	n/a	100,450
Flood Mitigation Plan - Technical Assistant	97.029	EMC-2003-GR-7041	9,113
Flood Mitigation Plan - Planning	97.029	EMC-2003-GR-7041	5,056
Total Emergency Management Division			<u>117,117</u>
Passed through the State of Michigan			
Michigan State Police:			
2003 SHSGP Part II Training Grant	97.004	n/a	65,375
2003-2004 MSP/EMP SHSGP Grant	97.042	n/a	1,455
2004 Homeland Security	97.004	n/a	149,350
2004 - 2005 EMPG	97.067	n/a	26,951
Total State Police			<u>243,131</u>
Total Federal Emergency Management Agency			<u>360,248</u>
Total Federal Expenditures of Federal Awards			<u>\$ 3,859,632</u>

CITY OF ANN ARBOR, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Ann Arbor, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The City of Ann Arbor reporting entity is defined in Note I of the City's financial statements.

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City of Ann Arbor reporting entity. Of the federal expenditures presented in the schedule, the City of Ann Arbor provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 831,423
Home Investment Partnership Program	14.239	<u>229,274</u>
Total		<u>\$ 1,060,697</u>

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note 3 of the City's financial statements.

3. LOANS

The value of non-cash assistance expended was zero. Loans outstanding at year end were \$938,787. There were no loan guarantees in effect for the year ended June 30, 2005.

CITY OF ANN ARBOR, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements
noted?

_____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses?

 X yes _____ none reported

Type of auditors' report issued on compliance
for major programs:

Qualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)?

 X yes _____ no

CITY OF ANN ARBOR, MICHIGAN
Schedule of Findings and Questioned Costs (Concluded)
For the Year Ended June 30, 2005

SECTION I – SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major program:

CFDA Number(s)

Name of Federal Program or Cluster

14.218

Community Development Block Grant

14.239

HOME Investment Partnerships Program

Dollar threshold used to distinguish
between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2005-1 Home Investment Partnership Program – Accounting and Reporting

It is the normal practice that the City Community Development Department incur costs before reimbursement is requested in the federal programs it administers. However, in connection with our testing of the Home Investment Partnership Program, we noted that a subrecipient was paid the entire amount of the contract as an advance before all the costs were incurred by that subrecipient. This resulted in \$315,150 in costs being advanced before the costs were incurred. Even though a receivable was set up to record the over advanced funds due from the subrecipient, in claiming eligible expenditures for \$315,150, the City violated compliance requirements related to cash management, as amounts were drawn against the grant in excess of the City/Subrecipient's immediate cash needs.

Management's response:

In the future, the Community Development Department will not advance funds to sub-recipients in advance of the related costs being incurred on projects.

SECTION IV – PRIOR YEAR FINDINGS

None.
